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5 Major U.K. Dailies Respond to Walkout By Firing Printers

Reuters

LONDON — More than half of Britain's national daily newspapers fired their printers Sunday, presenting Prime Minister Margaret Thatcher with the possibility of a major industrial crisis.

The sudden dismissals seemed likely to lead to an indefinite shutdown of the country's national press.

Hundreds of National Graphical Association members were fired as they reported for work after a two-day stoppage in protest against new laws curbing union power.

Five of the nine national newspapers — The Sun, The Times, the Daily Mirror, the Daily Express and the Daily Star — told the printers they had violated their contracts.

Printers at the other four newspapers — the Financial Times, The Daily Telegraph, the Daily Mail and The Guardian — were expected to walk out later in protest, industrial sources said.

The dispute started several months ago over six printing jobs at a plant in Warrington, northern England, that prints free newspapers.

It escalated last week into a national issue after the union had refused to pay a total of £150,000 ($225,000) in fines imposed for illegal picketing at the plant.

The Conservative government's tougher union laws forbid, among other things, secondary picketing, to which workers picket companies where they are not employed or companies that are not directly involved in an industrial dispute.

The printers stopped publication of all national newspapers Saturday and Sunday after a judge invoked the new laws to impound the union's assets, estimated at £10 million. An appeal court judge upheld the seizure order and ordered that £175,000 of the union's money be put aside to pay fines and court costs.

There were signs Sunday that the country's labor leaders were trying to avoid being drawn by the union into a showdown with Mrs. Thatcher over the laws, much as they dislike them.

But pressure is growing on the Trades Union Congress, which groups Britain's major labor groups, to do something to save the National Graphical Association, the sources said.

One member of the Trades Union Congress General Council, Terence Duffy, who heads the engineering union, warned the printers' union: "We will not support you unless you get within the law."

But William Keys, chairman of the employment committee of the Trades Union Congress and general secretary of the other main printing union, SOGAT '82, said: "Law that carries the seed of injustice and intolerance should be opposed."

If the National Graphical Association continues its illegal picketing in Warrington, it could be bankrupted under the laws, which allow repeated fines for contempt of court.

National newspaper owners are also suing the union for damages that could add up to £4 million, under another provision of the new laws.

The Trades Union Congress will hold meetings on the crisis Monday that could decide what stand it will take.

The Associated Press

Rescue workers search for victims at the scene of the plane crash Sunday in a field outside Madrid.

183 Killed in Crash of Colombian Jet Near Madrid

The Associated Press

MADRID — A Boeing 747 jetliner of Colombia's Avianca Airlines crashed and exploded into flames Sunday, minutes before it was to have landed at Madrid's Barajas Airport, killing 183 people. It was one of the worst airline accidents in Spain's history.

Airport officials said 11 people survived. Four of them suffered serious injuries.

Avianca officials said the jet, which was on its way from Paris to Bogotá, with scheduled stops in Madrid and Caracas, was carrying 170 passengers, a crew of 20 and four off-duty airline employees. Airline officials said the flight would have originated in Frankfurt, but the plane needed for that route was being overhauled in Amsterdam.

Many of the victims were French and West German citizens who had boarded the plane in Paris.

Among the dead were Manuel Scorza, a Peruvian writer; Angel Hama, a Uruguayan writer, and his wife, and Marta Traba, an Argentine writer and arts critic.

Soon after the plane crashed, many of the residents of Mejorada del Campo, which has a population of about 12,000, arrived at the scene. Maria Carmen Jiménez, a councilwoman in the village, said their rescue efforts were delayed until firemen extinguished the blaze. The plane broke in two upon impact.

Rescue parties worked through the day to move the victims' bodies from the wreckage to an airport hangar for identification.

The cause of the crash could not immediately be determined, Transportation Minister Enrique Baron said. There were reports that one of the plane's four engines was on fire as the aircraft approached the airport, but Mr. Baron said that Boeing 747s can land with only two working engines.

Searchers found the flight data recorder, which normally contains information about an aircraft's flight course and a recording of conversations in the cockpit. Officials said the recorder would be examined.

Rescue parties found two pistols in the wreckage, airport officials said. They added that the pistols might have belonged to some crew members or passengers who may have handed them in when boarding the plane.

Officials said air traffic controllers had spoken with the captain of the plane, Tulio Hernández, and the co-pilot, Edgard Ramirez, 25 minutes before it was to have landed. At that time, the plane was flying at an altitude of about 3,300 feet (1,000 meters), and the weather was clear.

A spokesman at the Barajas control tower said air traffic controllers had lost radio contact with the plane about 15 minutes later, and four minutes before the crash. At 1:04 A.M., the plane crashed near Mejorada del Campo, 5 miles (8 kilometers) east of the airport and 12 miles east of central Madrid.

Afterward, said Carmen Novo of Venezuela, a survivor who was hospitalized but reported in good condition, "it was like I was in another world, because I continued walking and walking; I didn't know what to do. All was so fast that it was impossible to explain." She was hospitalized in Madrid.

She said the plane was full of smoke when "I saw a man who began to break a window of the plane with his feet and I helped him, and when the window was broken we both left the plane and began to run."

King Juan Carlos I and Queen Sofia sent condolences to Presidents Belisario Betancur of Colombia and François Mitterrand of France. Queen Sofia visited the survivors hospitalized in Madrid.

Rome Says Parts For U.S. Missiles Are Now in Sicily

Compiled by Our Staff From Dispatches

ROME — Italy's Ministry of Defense said Sunday that parts for new U.S. cruise nuclear missiles had arrived in Comiso, Sicily, a day after the government published a sharp exchange of messages between Prime Minister Bettino Craxi and the Soviet president, Yuri V. Andropov.

In Prague, meanwhile, the official news agency CTK said Saturday that Foreign Minister Bohuslav Chnoupek of Czechoslovakia has announced an agreement to deploy Soviet nuclear missiles on Czechoslovak territory.

A statement by the Italian ministry said: "The arrival of components for the missile arms systems due to be transported and subsequently assembled at Comiso has begun at the base of Sigonella."

The brief Italian communique did not say how many missiles were involved nor when they first arrived at a U.S. Naval Air Station at Sigonella, near Catania, in eastern Sicily.

Comiso is to get 112 cruise missiles, Italy's portion of the 572 U.S. nuclear missiles to be deployed in five member nations of the North Atlantic Treaty Organization over the next several years.

Last Wednesday, the Soviet Union walked out of talks at Geneva on limiting medium-range missiles. In a statement Thursday, Mr. Andropov said that the Soviet Union would take no further part in talks and would move to station more missiles in Eastern Europe and near the United States.

Paul H. Nitze, the U.S. negotiator at the Geneva negotiations, is scheduled to brief the Italian government Monday on the talks.

The Defense Ministry's statement Sunday, repeating what the Italian government had already told Parliament, said that the first missile systems were expected to be operational by March.

The announcement came less than 24 hours after Mr. Craxi's office published details of his response to a sharp message from Mr. Andropov warning Italy against deploying the U.S. missiles.

In his message to Mr. Craxi, Mr. Andropov expressed regret that the Italian government had decided, in a parliamentary vote Nov. 16, to go ahead with the missile deployment. The Soviet leader said that Moscow could only conclude that Italy did not care to keep good relations.

Mr. Craxi assured Mr. Andropov that Italy wanted such relations with the Soviet Union. But he added, "good relations should not be confused with acquiescence in the face of any form of intimidation."

"Peace cannot be confused with a pacific state of subjugation," Mr. Craxi wrote, noting that the Soviet Union had aggravated an existing nuclear imbalance in Europe by continuing to install new SS-20 missiles in the four years since NATO denounced the imbalance.

In Prague, Mr. Chnoupek told a Communist Party meeting that Czechoslovakia had agreed to deploy Soviet nuclear weapons on its territory, CTK said.

"No one doubts today that we are determined to do all that is necessary to strengthen our own defense capability," the agency quoted Mr. Chnoupek as saying.

In addition to breaking off the talks and placing more missiles in Eastern Europe, Mr. Andropov said Thursday that Moscow would abrogate its freeze on the deployment of SS-20 missiles in the European region of the Soviet Union and would deploy weapons in "ocean areas and seas" that would directly threaten the United States.

General Wlodzimierz Kwaczeniuk, chief of Poland's rocket and artillery forces, said in remarks published Saturday that 25 percent of the new NATO missiles scheduled to be deployed in Europe would be targeted on his country.

"We can suppose that 20 to 25 percent of Euromissiles will be used on the territory of Poland," he told the Communist Party newspaper Trybuna Ludu.

(Reuters, AP, UPI)

Albania Accuses Bulgaria

Albania accused Bulgaria on Sunday of hypocrisy in supporting the idea of a nuclear-free zone in the Balkans while also approving of Soviet nuclear rearmament, Reuters reported from Vienna.

U.S. Officials Skeptical Of Moves by Nicaragua

By Don Oberdorfer

Washington Post Service

WASHINGTON — The Reagan administration has reacted skeptically to reports that Nicaragua may be altering both its foreign and domestic policies to meet long-standing U.S. objections.

Comments from the State Department spokesman, Alan D. Romberg, and from other officials, who spoke on the condition that they not be identified, suggested that the administration is unconvinced that the Sandinist government in Managua is moving seriously to alleviate points of conflict with Washington.

A White House official with President Ronald Reagan in California set the tone for the U.S. reaction by expressing puzzlement about reports from Nicaragua. "We can't interpret the current actions down there," the official said.

Here are the reports from Nicaragua in the past several days and the responses of U.S. officials Friday:

- More than 1,000 Cubans, mostly schoolteachers, reportedly have left Nicaragua since the beginning of November.

One report said this was intended to lower the Cuban profile in Nicaragua, but Mr. Romberg said the departure of "about 1,000 Cuban teachers" appeared to be temporary and part of an annual end-of-year break in Cuba.

"We have no information to suggest that the Cuban military or civilian presence in Nicaragua has been reduced permanently," Mr. Romberg said.

He commented before the Nicaraguan interior minister, Tomás Borge Martínez, was quoted as saying that Nicaragua is willing to send home its Cuban military advisers if the United States withdraws its military advisers and troops from Central America.

Mr. Borge is expected in Washington this week to explain Nicaragua's recent moves to members of Congress, the media and private groups.

- Reports from Central America said that Salvadoran rebel leaders have been asked to leave Nicaragua. But Mr. Romberg said, "We cannot confirm that the Salvadoran guerrilla presence there has been reduced."

"Nicaragua's assistance to guerrilla groups in the region and its close ties to Cuba and the U.S.S.R.," he said, "remain issues of great concern to Nicaragua's neighbors and to the United States."

- On Dec. 4, the Nicaraguan junta will announce the date for long-promised elections, according to reports from Managua, which said that balloting was likely to be for a constituent assembly that would draft a new constitution.

A State Department official said the U.S. reaction would hinge on the nature of the elections, especially the extent of participation permitted the Nicaraguan people.

- Censorship of La Prensa, the most independent newspaper still publishing in Managua, is reported to have been reduced in recent days. The State Department confirmed this, but Mr. Romberg added that the paper is "still subject to prior censorship" and is forbidden to print certain items.

"In our view," Mr. Romberg

(Continued on Page 2, Col. 2)

Panel Representing Lebanese City To Visit Syria to Discuss PLO Pullout

By Joseph B. Treaster

New York Times Service

TRIPOLI, Lebanon — The Higher Coordinating Committee of Tripoli is planning to go to Damascus on Monday morning to work out the details of an agreement for the departure of rival Palestinian factions from the area, a member of the committee said Sunday.

The committee member, Wassaf Fattal, one of the city's leading businessmen, said the committee had been summoned to Damascus by Rashid Karami.

Mr. Karami is a former Lebanese prime minister who began trying to find a peaceful solution to the Palestinian conflict shortly after the factions began fighting near Tripoli more than three weeks ago.

On Friday, the foreign ministers of Syria and Saudi Arabia announced that the followers of Yasser Arafat, the chairman of the Palestine Liberation Organization, and rebels who have been trying to force a reorganization of the PLO had agreed to end their fighting and withdraw from northern Lebanon within two weeks.

The foreign ministers said the details of the disengagement and withdrawal would be worked out by Mr. Karami and the Higher Coordinating Committee.

Aides to Mr. Arafat said Sunday they understood that the two-week period was to begin on the day that Mr. Karami announced the specifics of the disengagement and withdrawal.

The committee, which represents a cross section of interests in Tripoli, lacks any armed unit, but Syria and Saudi Arabia said they were prepared to give the committee assistance in supervising the withdrawal.

In Tripoli on Sunday, the cease-fire that was a part of the agreement announced by the foreign ministers appeared to be generally holding.

However, sniper fire continued in the northern neighborhoods of the city adjacent to the Badawi refugee camp, which has been one of the major points of battle.

In Damascus, the Syrian military command said it had "confronted" U.S. F-14 fighter jets for the second day in a row as the aircraft flew reconnaissance missions over the mountains northeast of Beirut.

The Syrians did not make clear what they meant by "confronted," but a Pentagon spokesman in Washington said that U.S. aircraft conducting reconnaissance of Syrian positions in Lebanon had reported no anti-aircraft fire or interceptor planes in the last two days.

In another development in Damascus, the Syrian news agency said that President Hafez al-Assad met with members of the ruling Ba'ath Arab Socialist Party on Sunday.

It was the first meeting the president is reported to have had with any government officials other than Foreign Minister Abdel-Halim Khaddam since Syria announced that Mr. Assad had undergone an appendectomy last week.

The news agency report seemed intended to quell rumors in the Arab world that Mr. Assad, 53, was seriously ill.

[Syrians in Damascus and other cities danced in the street Sunday night after Syrian TV showed a healthy, smiling President Assad back at work, United Press International reported.]

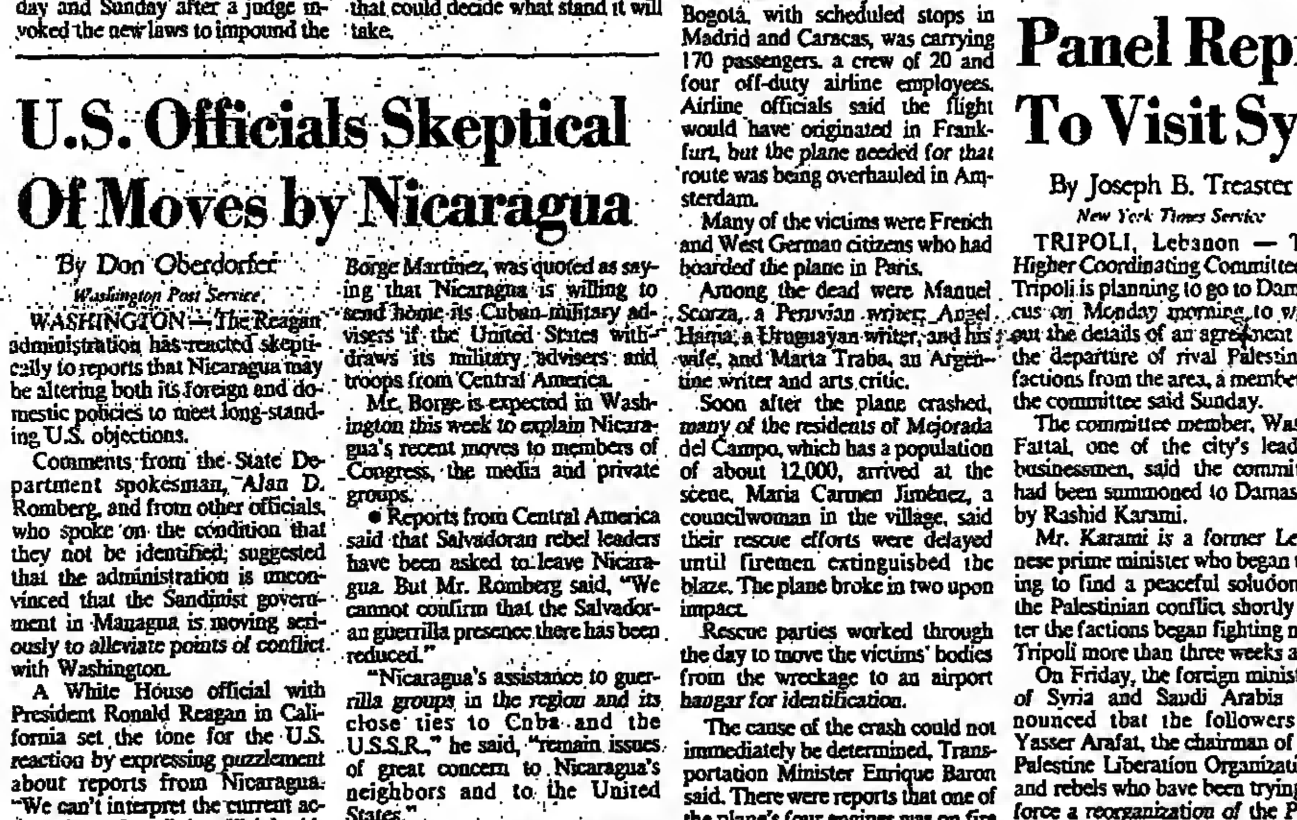
Meanwhile, President Amin Gemayel of Lebanon flew from Beirut to Rome Sunday afternoon for a visit with Prime Minister Bettino Craxi of Italy and Pope John Paul II before going on to Washington for a meeting with President Ronald Reagan on Thursday.

Mr. Gemayel is scheduled to discuss with Mr. Reagan the possibility of amending or renegotiating the May 17 agreement that provides for the withdrawal of Israeli troops.

Syria has demanded that the agreement be canceled, saying it gives Israel political, economic and security concessions in Lebanon.

The Associated Press

In West Germany, a man was helped after he fell into the barbed wire fence at the Mutlangen airfield, which demonstrators blockaded to protest U.S. Pershing-2 missiles.



United Press International

AT THE ELBE — U.S. and Soviet pallbearers wheel the coffin of Joseph Polowsky to a cemetery in Torgau, East Germany. Mr. Polowsky, whose U.S. unit met Red Army troops near Torgau in 1945, later campaigned for closer U.S.-Soviet ties. At right are the Rev. William Sloane Coffin Jr. and Mr. Polowsky's son, Ted. Page 6.

Conqueror of Polio Is Now Paralyzed

Albert Sabin Describes Pain That Made Him Want to Die

By Philip M. Boffey

New York Times Service

WASHINGTON — Albert B. Sabin, the developer of a vaccine that helped to conquer polio, is paralyzed from the waist down after 10 days of such excruciating pain that he says he wanted to die and began to curse the mores of the medical profession.

The 77-year-old scientist appeared alert, articulate and reflective, although a bit hoarse, in an hourlong bedside interview as he recounted a six-month saga of progressive weakness, pain, paralysis and partial recovery.

This world-famous medical scientist, with access to the very best in hospitals and physicians, sounded much like any ordinary patient, with enormous respect for the skills of those who cared for him but with troubling doubts, too, about their judgment in refusing to relieve his agony and their alertness in watching all his symptoms.

Still, he acknowledges, things may turn out well. Now receiving rehabilitation therapy at the Clinical Center of the National Institutes of Health in Bethesda, Maryland, Dr. Sabin has already regained use of his arms and upper body. "Maybe I'll walk again," he says. "I expect to. I'm regaining some powers, fiber by fiber."

He said his troubles began in May, when he developed wobbly legs and an unsteady gait that caused him to fall down the steps at Georgetown University in Washington, where he was a visiting professor. Doctors thought he probably had a very severe cervical arthritis pressing on his spinal cord. But since surgery was deemed risky, he says, he donned a collar to support his neck and set off for Brazil to check on clinical trials for his new aerosol vaccine for measles.

But his condition got worse. So in mid-June, in "very great pain" but still able to hobble with a cane, he flew back to Washington and went straight from the airport to Georgetown University Hospital, where doctors proposed an immediate operation.

Dr. Sabin was transferred to Johns Hopkins University Hospital in Baltimore on June 18 to undergo more elaborate diagnostic tests. There he was found to have a disease that has been known in Japan for 20 years but is extremely rare among Caucasians.

It involves the ossification, or transforming into bone, of a ligament at the posterior part of the canal in which the spinal cord resides. The result is that the bony structure compresses the cervical canal to a very narrow slit and squeezes the spinal cord as well.

Dr. Sabin spent the next month or so in a metal brace to keep his neck immobilized while doctors watched to see how his disease would progress. Finally, the surgeons operated to see if relieving the compression of the spinal cord would relieve Dr. Sabin's symptoms. Dr. Sabin was soon out of bed and walking, some of his symptoms disappeared, and on Aug. 15 he went home to his apartment in Washington.

But then he came down with

(Continued on Page 2, Col. 1)

INSIDE

South Africa Planning to Evict Blacks From Town, Their Home for Decades

By Alan Cowell
New York Times Service

MAGOPA, South Africa — Elizabeth Katitswe runs the Swartkop General Dealers Store here.

In it, the shopper will find soap, insecticide spray, bicycle bells, enamel baths, sardines, corned beef, automobile oil, feather dusters, loaves of bread, shoes, dresses and many other items.

Next to the shop is her newly built three-bedroom house, which incorporates a garage containing a slightly tired-looking Alfa Romeo sedan. In the yard there are two tractors and a truck.

In all, it is the accumulation of 30 years of trading and farming. On Tuesday it may not exist at all.

The reason is that this village, is what is called a "black spot" — land bought by black people decades ago before legislation was enacted preventing them from doing so.

Surrounding the several thousand acres belonging to the village is white-owned land. By the inexorable logic of apartheid, Magopa is an anomaly and an affront, so the people have to be moved into one of the nominally independent "homelands" created by the authorities in Pretoria for the use of the black majority. The deadline for the move is Tuesday morning.

The story of Magopa, however, has subtleties beyond the heavy-handedness of authorities who have threatened to transport the 300 families still living here by truck 125 miles (202 kilometers) away from their ancestral lands to a waterless new settlement of tin huts.

It illustrates not only the authorities' skill in the time-honored tactics of divide and rule, but also the readiness of some black people to be co-opted into the process of division.

Magopa is a settlement of 70 years' standing near the rural town of Ventersdorp. The people who live here, from the Bakwena tribe, have built over the years schools, churches, water pumps and homes in cut stone, a permanence rare in Africa. The men of the town, who went to the cities to find work, also contributed money to the welfare of the village, so as to secure their home base.

In 1978, however, a new headman, Jacob More, was appointed by the government. By 1981, villagers who accused him of corruption had deposed him, but their action was not officially recognized.

"He consumed all the monies of the tribe," said Lazarus Katitswe, a tribal spokesman. Mr. More, a former policeman, however, was amenable to a government proposal that the tribe be moved to the homeland called Bophuthatswana, and he is accused by his fellow tribesmen of collaborating with the authorities.

Mr. More led 180 families from the village last June. Following their departure, bulldozers flattened their former homes, as well as churches, clinics and schools. Mr. More's faction reportedly removed the water pumps.

A walk around parts of the village these days is like a stroll through an archaeological site. One sees ruins that must have been the Methodist church, a straight dirt road running through the rubble of garden walls, and debris that might once have been a school.

The other 300 families in the village did not want to go to Bophuthatswana, for they have a settled and prosperous life here in Magopa.

On Nov. 18, however, the local magistrate arrived and read a presidential decree ordering them off the land under the terms of legislation on the administration of black people that was enacted in 1927. They were given 10 days to move, but, despite the arrival of official trucks to take them away, and despite efforts to make their lives difficult, none has done so.

The villagers "said they are better to die here," said Mr. Katitswe, a schoolteacher. "We are not prepared to go."

The remaining villagers sought Friday to gain a court order preventing their removal, but their request was turned down. Despite official government statements asserting that black people would be relocated only on a voluntary basis, the local magistrate, J. De Villiers, reportedly told the villagers that they would be removed by force if necessary.

One of the few weapons available to the villagers is to publicize their plight in an effort to embarrass the authorities into restraint. Thus, a white-run women's organization called Black Sash, which attempts to advise blacks on their limited rights, has taken up their cause.

At her store, among the bicycle tires, mayonnaise, blankets, ornamental rings, bowls and other goods, Mrs. Katitswe ruminated on her future. "We have no option," she said, in a resigned voice. More determinedly, she added: "They will have to pay me if they want us to go. I'll build a new shop."

The Associated Press

Prime Ministers Lee Kuan Yew of Singapore and Margaret Thatcher of Britain take a drink as Australia's Bob Hawke looks on. They were in Goa, India, for a two-day retreat from the Commonwealth conference in New Delhi.

Commonwealth Leaders Seek U.S.-Soviet Dialogue

By William K. Stevens
New York Times Service

GOA, India — The leaders of the Commonwealth nations, expressing alarm at the rising level of violence and confrontation in the world, called Sunday on the United States and the Soviet Union to resume "a genuine political dialogue" leading to a relaxation of East-West tensions.

The Commonwealth statement said it was "imperative that the Soviet Union and the United States should summon up the political vision of a world in which their nations can live in peace."

The word "political" was considered important, in that some of the leaders expressed doubt last week that U.S.-Soviet arms control talks could proceed successfully unless top political leaders took a more direct role. Such was said to be the case in Geneva, where Soviet negotiators last week walked out of talks on intermediate-range missiles.

The declaration, the first formal communication to come from the weeklong summit, asserted that the 48 Commonwealth governments "can make a practical contribution" in helping promote a high-level U.S.-Soviet political understanding.

Meanwhile, Sir Shridath S. Ramphal, the Commonwealth secretary-general, confirmed that agreement had been reached on the Grenada situation. The agreement was reported to contain a call for a withdrawal of all foreign troops from Grenada and an offer to replace them with a peacekeeping force from the 12 Commonwealth countries in the Caribbean.

Sir Shridath said final details of the Grenada agreement would be presented Tuesday, the last day of the summit, as part of a final communiqué. Grenada is a Commonwealth member.

The declaration on U.S.-Soviet relations published Sunday devoted particular attention to "the vulnerability of small states to external attack and interference in their affairs," a subject made more immediate by the Grenada invasion.

The declaration said that the summit had agreed on an urgent study of ways to guarantee the territorial integrity of small states.

It continued, "It is our perception that relationships between the world's major military alliances are in danger of becoming more confrontational."

It is essential "to increase contacts at a variety of levels between the governments and peoples of East and West," the declaration said.

In this regard, Prime Minister Pierre Elliott Trudeau of Canada was to be in Beijing on Monday to continue a peace-seeking mission that has taken him to several capitals and that is to take him eventually to Washington and Moscow.

Mr. Trudeau is to return to New Delhi on Tuesday. The Commonwealth conferees left Sunday for New Delhi after a two-day retreat in Goa, a resort on India's western coast.

Sunday's declaration said the Commonwealth welcomed Mr. Trudeau's call for "a new political dimension" involving other nations as mediators.

"We support his efforts to restore active political contact and communication among all the nuclear-weapon powers," the declaration said. The five nuclear powers are the United States, the Soviet Union, France, China and Britain.

Albert Sabin Says Pain Made Him Want to Die

(Continued from Page 1)

"absolutely excruciating" pain in the legs, along the sciatic nerves, and had to return to Johns Hopkins. Then, "just like a bolt," he says, "I had complete paralysis from the waist down." His lower body "just felt like wood" and the paralysis began creeping up, affecting his chest and causing loss of control in his arms. And "the most severe pain" he had ever experienced kept him in agony and "made me want to die."

"I was, of course, being observed," he says. "But if I ever cursed out doctors, I did then. Because I thought the first problem of physicians was to stop excruciating pain. And they did not."

Dr. Sabin acknowledges that his doctors "were afraid, rightly," that any medication might interfere with his respiration, but he added that "you need a balance" that will find a middle ground between such fears and the overwhelming need for relief from pain.

Dr. Sabin said that he almost died nine days after re-entering the hospital when his breathing stopped. He was saved, initially, by an alert assistant who had been hired by his wife to help watch him every second. "She was the least trained, the least educated, not even a nurse," he said, "but if she hadn't been there .... Her yelling and raising hell immediately got action."

U.S. Skeptical On Nicaragua

(Continued from Page 1)

said, "it would not be correct to say the current relaxation of restrictions represents any significant change in the Sandinistas' overall attitude toward freedom of the press."

• Leaders of the Roman Catholic Church and anti-Sandinist political parties are reported to have been approached by Sandinist officials with offers of concessions.

In Washington, however, Mr. Romberg said that "we have seen no real evidence that the Sandinistas have changed their basic philosophy toward human rights and the expression of views by internal opposition groups."

7 Die in Belgium As Storms, Wind Hit West Europe

Reuters

PARIS — Seven persons were killed Sunday in Belgium in storm-related accidents as high winds buffeted much of Western Europe.

In northern France, gusts of up to 96 mph (155 kilometers per hour) were measured, and winds of more than 112 mph were reported in parts of West Germany.

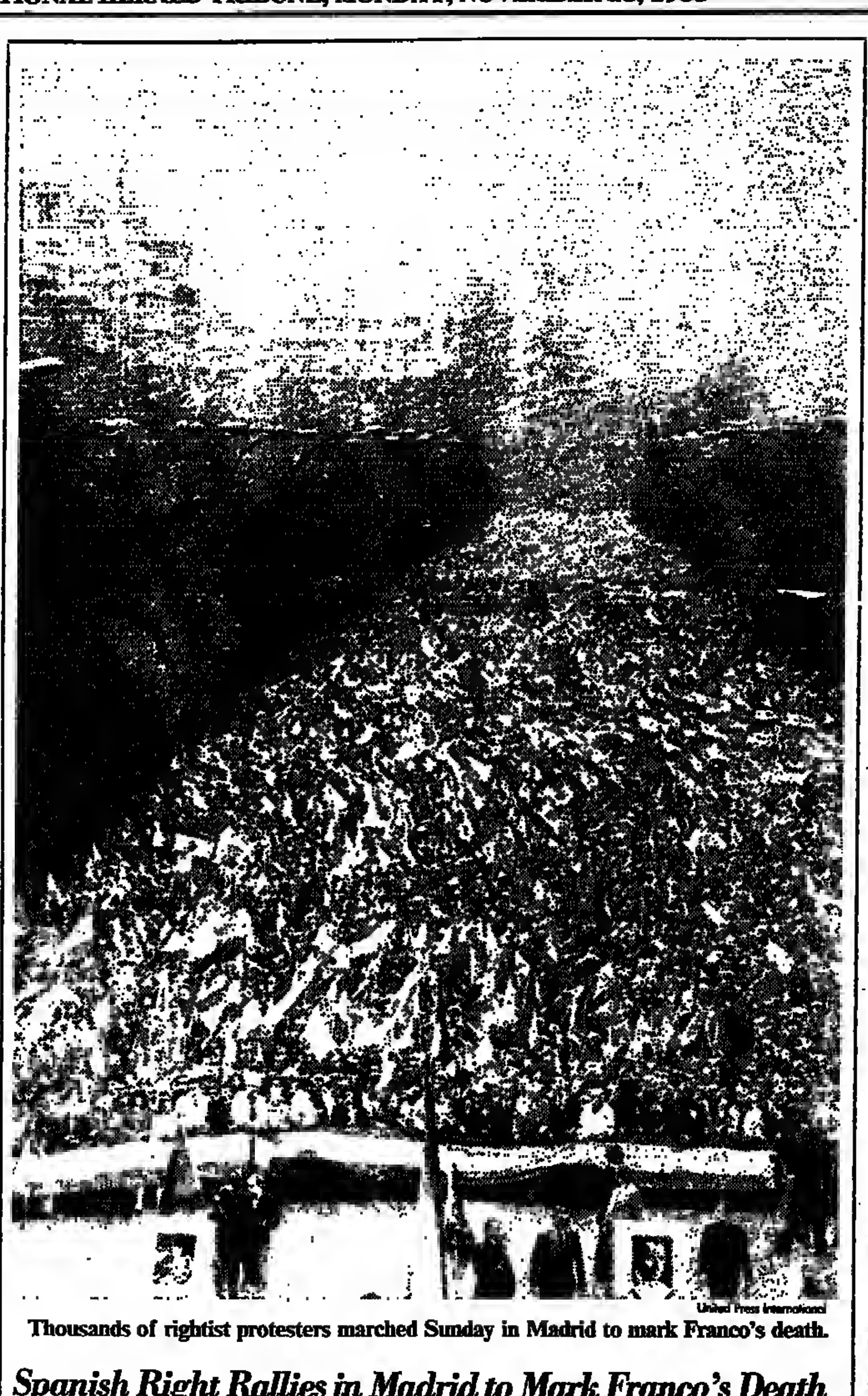
The seven deaths occurred early Sunday near the Belgian coast when two cars were crushed by falling trees, police said.

The storm disrupted rail traffic on three Belgian rail lines, and port authorities in Antwerp said a towboat sank there.

In France, the damage was heaviest in Brittany, where flooding blocked some roads.

About three inches (75 millimeters) of rain fell in the central French town of Château Chinon in a 24-hour period.

In western Switzerland, several roads and at least three rail routes were blocked by fallen trees.



United Press International

Thousands of rightist protesters marched Sunday in Madrid to mark Franco's death.

Spanish Right Rallies in Madrid to Mark Franco's Death

Reuters

MADRID — Tens of thousands of Spaniards marched through Madrid on Sunday to mark the eighth anniversary of the death of Franco on Nov. 20, 1975. It was the largest rightist rally since the Socialists took power a year ago.

After a silent march along Madrid's Paseo de la Castellana, the demonstrators gathered in front of a statue of Franco to sing fascist hymns while giving the stiff-arm salute used by the dictator during his 40-year rule.

The rally also was called to mark the anniversary of the execution of José Antonio Primo de Rivera, the founder of the Spanish fascist party, Falange Española, by Republican forces in Alicante on Nov. 20, 1936.

Elderly women with Spanish flags pinned on their coats and decorated veterans of the Franco forces in the 1936-39 civil war marched alongside teen-age girls wearing clothes in the national colors and youths in the Falange party's blue shirts and combat boots.

A few people chanted slogans calling for an army takeover and the release of military plotters jailed for the assault on the Cortes (parliament) in the abortive coup attempt in February 1981.

There were no violent incidents. Security was discreet, with no riot police in sight of the marchers.

$40 Million in Gold Bullion Is Stolen Near London in Biggest U.K. Robbery

By R.W. Apple Jr.
New York Times Service

LONDON — Six masked gunmen stole almost $40 million in pure gold from a security depot near Heathrow Airport before dawn Saturday. It was the largest single theft in British history.

The robbers also took two boxes of diamonds that were stored in the warehouse, but there was no immediate indication of their value.

Carrying handguns and wearing ski masks, the robbers burst into an unmarked warehouse belonging to Brinks-Mat Ltd., at about 6:40 A.M., police said.

The six overpowered several security guards who were working the night shift, handcuffed them, poured gasoline over them and threatened to set them on fire if they did not cooperate.

Detectives said the gunmen took about three tons of bullion, worth about $40 million. It was understood that the gold consisted of 6,800 bars of gold in 76 boxes, according to a spokesman for Brinks-Mat, a subsidiary of Brinks, the U.S. security company.

Police said the consignment was to be sent to the Far East but did not say who owned the gold or whether it was normal for Brinks-Mat to have so much bullion on hand at one time.

An hour after the raid, one of the guards managed to wriggle out of his handcuffs and raised the alarm. By the time police arrived, there was no sign of the intruders.

Police immediately sealed off the warehouse, which is in the Heathrow Trading Estate in suburban Hounslow, west of London. It lies directly under the flight path leading to one of the main runways at Heathrow Airport, which is about a mile (1.6 kilometers) away.

The area is nearly deserted early on Saturday mornings, and there appeared to be no witnesses other than the six employees.

Equipped with automatic doors, a sophisticated alarm system, high-powered lights and television surveillance cameras, the depot was not an easy target.

It was not known how the robbers managed to avoid the security system or how they removed the gold from the site. A police spokesman said that "they must have had at least two large trucks."

A spokesman for Brinks-Mat said the insurance company who held the policy on the gold had offered a $3-million reward. He did not name the company.

Commander Frank Cater, who is heading the police investigation, said the robbers would have to melt down the gold in order to dispose of it because the bars were stamped with the refiner's name and bore numbers that could be identified.

The largest robbery in British history before the Heathrow theft took place in 1975 when more than $12 million worth of cash and valuables were stolen from the Bank of America's branch in Mayfair.

The so-called Great Train Robbery in Britain in 1963 netted what was then worth about $7 million.

The largest robbery on record was at the German Reichsbank in the spring of 1945 when Nazi Germany was collapsing, according to the 1983 edition of the Guinness Book of World Records. Negotiable securities valued at $400 million and gold, foreign currencies and jewelry valued at $20 million were taken. The crime was never solved.

The biggest known robbery in the United States occurred in December of 1982 when $11 million in cash was stolen from the Sentry Armored Courier Corp. in the Bronx, New York. Four men are standing trial in Federal District Court in Manhattan for the crime. In the celebrated Brinks robbery in Boston in 1950, the robbers made off with about $3 million.

Lufthansa Official Freed By Abductors in Bolivia

The Associated Press

LA PAZ — The head of Bolivian operations for Lufthansa German Airlines has been freed, 11 days after he was kidnapped, sources at the Interior Ministry have confirmed.

Michael Wurche, 40, was freed Friday, but details of the release were not immediately available, the Interior Ministry said. A previously unknown organization called the November 10 Group claimed responsibility for abducting Mr. Wurche, a West German citizen, in La Paz on Nov. 14.

WORLD BRIEFS

Pro-Iran Group Claims Iraq Bombings

NICOSIA (Combined Dispatches) — Iran's official news agency said suicide truck bomb attacks by Iraqi underground members on Sunday killed more than 100 Iraqi officials in Baghdad, it was reported here.

An official source in Baghdad, however, denied the report, according to the Iraqi News Agency. The source said no explosions took place in the Iraqi capital.

In Paris, Agence France-Presse, a French news agency, said Sunday that it had received a call from a spokesman for the Islamic Action Organization in Iraq, a pro-Iranian fundamentalist group, saying it had bombed police and military headquarters in Baghdad. The caller said at least 90 people were killed or wounded. It could not immediately be confirmed that the two reports were related. *(Reuters, AP)*

EC Ministers to Meet on Key Summit

BRUSSELS (Reuters) — Foreign and finance ministers of the European Community were to meet here Monday to prepare for what has been widely described as a make-or-break summit due to open in Athens next Sunday.

The EC's funds are almost exhausted. Six months of intensive negotiations have identified the areas where action is needed to help revive the community's flagging fortunes. The major outstanding issues are limits on the EC agricultural budget, which uses up two-thirds of the community's budget, and a redistribution of the financial burden borne by each country.

But diplomats said the 10 states remained far apart on what specific measures should be taken, and no breakthrough was expected at Monday's talks. They said the talks would center on the mechanics of organizing the summit and on fine-tuning the policy options available to the heads of state and government.

UNESCO Leader Praises News Debate

PARIS (AP) — UNESCO's debate on global communications has entered a "new, less passionate, more constructive stage," according to the director-general, Amadou Mahtar M'Bow of Senegal.

Speaking Saturday to the closing session of the 22d general conference of the United Nations Education, Scientific and Cultural Organization, Mr. M'Bow said UNESCO's role as the main forum for international communications issues "no longer seemed contested, nor did the necessity for a new world information and communications order."

UNESCO last week adopted resolutions regarded as a compromise under which studies of a new order will continue, but a study of a code of conduct for international media organizations was avoided. Many Third World nations believe Western news organizations have a monopoly on information flow, but Western governments and media groups are concerned that a new order could lead to more government control on press and electronic media.

Polish Dissidents Offered New Amnesty

WARSAW (Reuters) — A new amnesty proclaimed by the Polish parliament for political dissidents in hiding has gone into effect and will last until the end of the year, the official PAP news agency said.

The Sejm, or parliament, said underground members and supporters of the banned independent trade union Solidarity living in Poland would be freed if they surrendered to police before the end of the year. People abroad can turn themselves in to Polish consulates, it said.

An amnesty offered when martial law was lifted in July expired Oct. 31 after 648 persons accepted its provisions. The authorities said it had been renewed, beginning Friday, as a gesture of conciliation and as part of efforts to restore political and economic stability.

Irish Nationalist Said to Admit Killings

DUBLIN (Reuters) — The alleged leader of the Irish National Liberation Army, Dominic McGlinchey, has admitted in a newspaper interview to killing about 30 people in the past decade.

But Mr. McGlinchey was also quoted by the Sunday Tribune newspaper as having denied involvement in an attack Nov. 20 on a Protestant church in Northern Ireland. Three persons were killed in that attack, for which he was widely blamed.

Mr. McGlinchey, 29, has also been blamed for a series of bombings and shootings since he was reported to have taken over last year the leadership of the Irish National Liberation Army, the Marxist offshoot of the Irish Republican Army. The organization, which has broken away from the IRA, is seeking to end British rule in Northern Ireland. Mr. McGlinchey admitted to involvement in the bombing of a bar last December in Ballykelly, Northern Ireland, in which 17 persons were killed, most of them off-duty British soldiers.

Reagan to Meet With Shamir, Gemayel

SANTA BARBARA, California (AP) — President Ronald Reagan ended a five-day vacation here Sunday and returned to the White House to prepare for meetings with two Mideast leaders.

Mr. Reagan is to meet Tuesday with Prime Minister Yitzhak Shamir of Israel. On Thursday, he is to confer with President Amin Gemayel of Lebanon. Mr. Reagan also may meet with Donald H. Rumsfeld, his special envoy to the Mideast, who recently returned from that region.

The U.S. president is expected to discuss with the two Mideast leaders the status of a May 17 agreement under which Israel agreed to withdraw from Lebanon if Syria would do the same. Syria has refused to do so. Mr. Gemayel has been empowered by other Lebanese leaders to seek international support for change in the accord.

For the Record

Jamaica's national elections will be held Dec. 15, two years ahead of schedule, Prime Minister Edward Seaga announced Saturday. Parliament would be dissolved Monday, he said. (AP)

Isabel Perón, the former president of Argentina, will return there Dec. 8 to attend the swearing-in of President Raúl Alfonsín two days later, Peronist Party sources said Saturday. (Reuters)

A new political party, the Republicans, was formed Saturday by two members of West Germany's parliament. Franz Handlos and Ekkehard Voigt, former members of the Christian Social Union, said the party backed a reunited Germany, environmental protection, fewer foreigners, plebiscites on major questions and compulsory youth service. (Reuters)

Gary Kasparov of the Soviet Union on Sunday night sealed his 41st move in his fourth game against Viktor Korchnoi, a Soviet defector. The game is to resume Monday in the world chess championship semifinal in London. Mr. Korchnoi leads the 12-game series, 2 points to 1. (Reuters)

Moscow Appears to Give Priority to Nuclear Power

By Theodore Shabad
New York Times Service

NEW YORK — The Soviet Union has disclosed several key appointments that appear to be intended to give greater priority to what has been a lagging nuclear power program.

In recent weeks it has also announced the dismissal of a high construction official who was accused of incompetence in planning and building a giant reactor-manufacturing plant.

The shake-up followed several meetings of the Politburo last summer on nuclear issues. At one meeting, the Politburo called for a major increase in the percentage of power that comes from nuclear sources. About 8 percent of Soviet electricity is nuclear, compared with 13 percent in the United States and 20 percent in Japan.

According to Soviet press reports, overall authority was vested last July in a newly appointed first deputy minister of electric power, Gennadi A. Shasharin, who is a relative newcomer to the higher echelons of the electric industry. He emerged initially in August 1982 as a deputy minister.

Last August, in a move to bolster management under Mr. Shasharin, another new deputy minister, Gennadi A. Veretennikov, 49, was put in charge of a National Corporation for Nuclear Power. Mr. Veretennikov was previously with the State Planning Committee, the economic planning agency.

Moscow has also announced the creation of a nuclear regulatory agency. Its chairman, Yevgeny V. Kulov, 54, has an engineering background and was previously with the Ministry of Medium-Machine Building, which analysts presume is a cover name for the nuclear weapons production sector.

Mr. Shasharin, in an interview in September with the industrial daily Sotsialisticheskaya Industriya, explained that regulatory functions used to be divided, occasionally causing bureaucratic conflicts.

In a subsequent front-page article in the Moscow newspaper Sovietskaya Rossia, Mr. Shasharin said unspecified measures were being taken to speed the nuclear program. He said construction had been slowed in part by unfounded design changes that made it difficult to adopt efficient assembly-line techniques at plant sites.

Participants at one of the Politburo meetings last summer rebuked unidentified officials for mismanagement in building the Atommash plant, which is to be the principal Soviet manufacturer of nuclear reactors when completed.

One of the officials has now been identified as Gennadi N. Fomin, chairman of the State Committee for Civil Construction for the past 15 years. In that capacity, he had been in charge of building new towns, including the Don River city of Volgodonsk, the site of Atommash. A decree just made public said Mr. Fomin, 68, was dismissed in July because of poor planning and construction there.

■ Deputy Minister Dismissed

A deputy minister at the Ministry of Machine Building for Animal Husbandry and Fodder Production has been dismissed for "shortcomings in his work," Reuters reported Sunday from Moscow. It quoted a government bulletin, which identified the official as G.I. Chekalin.

The bulletin, which lists government resolutions, gave no further details, except to name Mr. Chekalin's replacement as V.V. Bykov.

Eastern Europe Hard Hit by Drought

The Associated Press

BELGRADE — A drought in much of Eastern and Central Europe has cut supplies of electricity and drinking water, hurt farming and severely reduced river traffic.

The Bucharest newspaper Romania Libera said Friday that the drought throughout the Danube River basin was "unmatched since the start of this century."

In Yugoslavia, officials have begun selectively shutting down hydroelectric plants to save water, leaving some homes without electricity for 12 hours a day. Belgrade officials are considering extending the blackouts to 16 hours a day.

In Romania, lakes and reservoirs are at their lowest levels in 30 years. In addition to other measures, authorities are reducing late-night television programming.

Serious water shortages are affecting several areas of Czechoslovakia, according to the state-run CTK news agency.

A spokesman for the Czechoslovak hydrological institute said the situation was the worst in South Moravia, where water had to be trucked in to 60 communities.

Low river levels have slowed or stopped shipping on the Danube and other Central European rivers.

Czechoslovak officials suspended Danube freighter and barge traffic on Nov. 2. Shipping on the Labe, as the Czechoslovaks call their portion of the Elbe, was stopped Sept. 5.

Hungarian vessels designed for low river levels were virtually alone in most of the Danube's Hungarian waters, said Istvan Buzas, a spokesman for MAHART, the state-run shipping line. The barges were forced to carry reduced loads, he said.

While some parts of the Yugoslav Danube remained open, freight traffic on the Sava, Yugoslavia's longest river, had to be stopped early in November. More than 400 barges reportedly are stranded.

The Hungarian foreign trade minister, Peter Veress, said last week that Hungary had lost about $200 million in anticipated revenue from produce exports because of the drought.

Czechoslovak newspapers reported that the drought had hurt farming results and said fields were so dry that plows were being damaged.

AMERICAN TOPICS

Grenada Invasion: A Recruitment 'Plus'

In both quality and quantity, it has been a record recruiting year for the U.S. military. The Pentagon says the Grenada invasion can share the credit.

All the armed services easily recruited the numbers of men and women they wanted in the year ending in September, for the third year in a row.

A record 91 percent of the enlistees were high school graduates, a group the Pentagon considers to be better prospective personnel than dropouts.

"We're getting the highest-quality people we've ever gotten and we're getting plenty of them," said Lawrence J. Korb, assistant secretary of defense for manpower.

The military life has become more attractive, the Pentagon believes, because of a rise in patriotism, higher pay and benefits, and an improved quality of life in the services — in addition to the poor economy and high unemployment of recent years, which made military service more attractive.

More recently, the bombing attack on the marines in Beirut and the U.S. invasion of Grenada last month were what Mr. Korb called "a plus overall" for recruiting. In the two weeks after the Beirut attack, the number of people taking service-entrance exams rose about 10 percent.

"People sense there is a mission to be performed," Mr. Korb said. "They want to be involved."

Notes on People

Norman Bailey has left his White House post as a senior director of the National Security Council and special assistant to President Ronald Reagan to join the president's 1984 campaign as international economic affairs adviser. Mr. Bailey, 52, was appointed to the Republican National Committee's Commission on Foreign Policy and National Security Affairs, the official foreign policy working group for Mr. Reagan's reelection effort.

"Hard Hat Mack" may be just a game, but Thorne G. Auchter, head of the Occupational Safety and Health Administration says it's hardly fair play. In the video game a blue-collar worker trying to build a skyscraper is up against exposed wires, falling objects and a particularly dangerous foe — an inspector from OSHA. Officials at the federal agency that enforces job safety standards weren't happy to see OSHA depicted as the worker's foe. "Let's be fair," Mr. Auchter wrote in a letter to the video game manufacturer, Electronic Arts of San Mateo, California: "Hard Hat Mack is a lot safer on the job with OSHA around." The makers maintain the game is only a satire.

Passing Grades Without the Passes

A ban on teacher-student sex at the University of California's Berkeley campus has been proposed by a faculty committee, which says that romances can disrupt education and demoralize other students.

The proposal, made before the Assembly of the Academic Senate at the 30,000-student campus, calls faculty-student sex a "reprehensible breach of professional ethics." It does not call for punishment of faculty members engaging in sex with students, and the ban would apply only when teachers and students share a mutual academic pursuit, such as a class or research.

Richard Abrams, chairman of the faculty committee that drafted the proposal, estimated there are "several dozen" relationships a year between faculty members and students. "Even a legitimate romance can be very disruptive to the educational process and demoralizing to other students," he said.

Portrait of the Artist As a Fund-Raiser

As working retreats for composers, painters, sculptors, novelists, playwrights and poets, the country's artists' colonies have encouraged an abundance of creative work. Now, five of the colonies are taking a creative tack at fund-raising, banding together for the first time to seek donations and publicize their impact on American culture.

United in the recently formed Fund for Artists' Colonies are Yaddo and Millay in New York, Ragdale in Illinois, the Fine Arts Work Center in Massachusetts and the Virginia Center for Creative Arts.

The fund, which drew a $50,000 donation from the Ford Foundation last week, will be a clearinghouse for information, promotion and fund-raising campaigns.

A Full Box Of Ol' Blue Eyes

Devotees of the Beatles already had a chance at total immersion, since Mobile Fidelity Sound Labs offered the group's entire body of recorded works in a $325 collection.

Now, Frank Sinatra fans — at least those with $350 to spare — will have their turn.

In a 16-record collection, made from the original master tapes, the same firm presents much of Mr. Sinatra's work for Capitol Records from 1953 to 1962. Called simply "Sinatra," the weighty silver-boxed set includes 205 selections from the period considered by many critics as the singer's finest.


UPI
Frank Sinatra

One-Liners

Anesthesiologists are the highest-paid medical specialists, with a median income of $150,200 a year, according to a national recruiting firm's survey; surgeons rank second at $141,600, while pediatricians get a median $74,020. . . . The Smithsonian Institution's National Air and Space Museum is putting all of its one million aviation photographs onto 10 video disks to be sold at $30 each. . . . New York state's electric utilities will join the state government in funding a comprehensive three-year study of water quality and fish life in the Adirondack lakes, many of which are polluted by acid rain.

Spacelab Lifts Off Today Inside U.S. Space Shuttle

$1-Billion European Research Craft Is Most Complex Ever to Go Into Space

By John Noble Wilford
New York Times Service

CAPE CANAVERAL, Florida — The countdown has begun for launching the most expensive and complex scientific research facility ever put into space.

The 17-ton, $1-billion European-built Spacelab, a pressurized unit the size of a bus, will be carried into orbit Monday in the cargo bay of the Columbia space shuttle.

The six-man crew, the largest assigned to a space flight, includes the first non-American to fly on a U.S. spacecraft. He is Dr. Ulf Merbold, a physicist from the Max Planck Institute in Stuttgart.

Liftoff was scheduled for 11 A.M. Monday, two days after the countdown began. The Spacelab, which will remain in the cargo bay at all times, will be brought back Dec. 7 for reuse on missions over the rest of the century.

For the Europeans, who designed, built and paid for Spacelab, the flight marks their debut in manned space technology. The laboratory was built in West Germany under the auspices of the 11-nation European Space Agency.

By all accounts, Spacelab is a technological success. James F. Harrington, a Kennedy Space Center official in charge of preparing the craft, said, "It is by far the best new vehicle the agency has ever seen."

The mission will be international in other ways, too. The experiments were developed by scientists from the United States, Canada and Japan as well as the European Space Agency's member states.

Mr. Merbold and Dr. Byron K. Lichtenberg, an engineer at the Massachusetts Institute of Technology, are the first non-astronauts to go into space aboard a U.S. craft. They and two astronauts with doctorates in engineering or science, Dr. Owen K. Garriott and Dr. Robert A.R. Parker, will supervise Spacelab operations.

John W. Young, who flew the Columbia on its maiden flight in April 1981, will be the mission commander. The other pilot will be Major Brewster H. Shaw Jr. of the air force.

The crew plans to work two 12-hour shifts each day, with one pilot and at least two scientists on duty at all times to carry out some of the most complex experiments ever conducted in space.

In some of the life-science investigations, the four scientists will be the subjects of experiments on how the human body adapts to weightlessness. Blood samples drawn from them will be analyzed for changes in red blood cells, hormones and the body's immunological system. The four men will be confined for a week after the flight for studies of their readaptation to gravity.

For astronomical studies, the Spacelab is equipped with X-ray and ultraviolet telescopes and a wide-field camera-telescope. U.S. and European instruments are to measure with greater accuracy the solar constant, which is the total radiant energy of the sun that reaches Earth and is the primary driving force for the circulation of the Earth's atmosphere.

A particle accelerator built by Japan will be used to create artificial auroras in order to observe complex physical processes in the ionosphere.

Two Earth-observation experiments will also be carried out. One is an imaging radar system designed to transmit microwave beams that will be reflected back to a dish antenna to map the contours of the ocean surface and the land.

The other involves a high-resolution camera. The crew is to mount the camera in an optically "pure" window in the roof of Spacelab and take up to 1,100 images of terrain.


The Associated Press
Dr. Ulf Merbold, a West German physicist who will be on Spacelab, greeting Susy Young, wife of John W. Young, mission commander. At right is Dr. Merbold's wife, Birget.

Reagan Seen Declaring Candidacy in January

By George Skelton
Los Angeles Times Service

SANTA BARBARA, California — Although there is no doubt that he is running for re-election, President Ronald Reagan probably will delay the official announcement of his candidacy until January, White House officials say.

One adviser here, where the president was spending the Thanksgiving weekend, said Mr. Reagan may wait until after his State of the Union address in late January before formally announcing his bid for a second term.

James A. Baker 3d, the White House chief of staff and principal political strategist, said last week that the president would "probably like to delay it even until his birthday." Mr. Reagan will be 73 on Feb. 6.

Mr. Reagan opposes early reelection announcements because, he contends, the public then regards every governmental action as politically motivated.

"But he's running — absolutely," Mr. Baker said.

Mr. Baker believes the announcement should be linked to the annual State of the Union address to Congress. This event focuses attention on the president under the most favorable circumstances — as a statesman, rather than a politician.

Since he is unopposed in the Republican primaries, Mr. Reagan will have the benefit, at least until the summer nominating conventions, of avoiding all-out campaigning.

"That's the best way to run as an incumbent — just being a good president," Mr. Baker noted.

He stands to benefit politically from two foreign trips — one to China, in late April, and the other to Britain, probably in June, for an economic conference.

Billy Baldwin, 80, Dies; Was Dean Of U.S. Decorators

New York Times Service

NEW YORK — Billy Baldwin, 80, the dean of American interior decorators, whose taste and sense of elegance enabled him to become the greatest influence on a generation of post-World War II designers, died of a heart ailment Friday in Nantucket, Massachusetts.

Mr. Baldwin, who disliked the term "interior designer," had such clients as Cole Porter, Billy Rose, Mary Wells Lawrence, the Paul Mellons, Jacqueline Kennedy Onassis, Mike Nichols and Diana Vreeland.

General Hugh Hester Dies; U.S. Foreign Policy Critic

NEW YORK (NYT) — Hugh B. Hester, 88, a brigadier general in the U.S. Army who after retirement became a fervent opponent of what he considered America's hard-line stance in the Cold War, died of cancer Friday in Asheville, North Carolina.

In World War I Mr. Hester fought in France and was named to the French Legion of Honor. In World War II, he served in Australia on the staff of General Douglas A. MacArthur, supervising all U.S. Army supplies in the Far East and winning a Silver Star.

■ *Other deaths:*

Eugene S. Hooper, 85, a former president of the Manufacturers Trust Co., now Manufacturers Hanover Trust, of cancer Sunday in Englewood, New Jersey. He had retired in 1960.

William J. Shields, 70, president of the Barber Steamship Line from 1974 until he retired in 1978, Monday in New Milford, New Jersey.

International Herald Tribune
Published With The New York Times and The Washington Post

The Alliance Has Held

Moscow had said it would react if NATO moved to deploy new missiles — the ones meant to counter Soviet SS-20s — and so it has. A new statement confirms that the Soviet Union is pulling out of the talks on European missiles and preparing its own new deployments against American and European targets. Presumably to show a puzzled world that these are the steps of a government with a head to it, the statement was issued in the name of Yuri Andropov, who has not been seen in public for more than 100 days.

Reasonable people can only wince to see the disappearance of Soviet delegates from the INF negotiating table and the appearance of new missiles for which there was never any military need. The sequence sharpens the question of whether the superpowers are controlling their weapons or the other way around. Concern shows up asymmetrically, in official threats on the Soviet side and in popular anxieties and protests on the NATO side.

The anxieties and protests are in the news, and will remain at the center of politics in Europe. But it is important to note that the Europeans have debated the missiles for half a dozen years, that governments have put the issue explicitly to their voters and that the collective deployment decision has the strength and legitimacy that only an informed, open, democratic choice can have. This is not a development suddenly or surreptitiously thrust upon Europe by the United States.

Is it a development that America might have averted or softened by more skillful diplomacy? The performance of Ronald Reagan and, before him, of Jimmy Carter is open to criticism. But most of it goes, we think, to tactics and to side issues involving the Western public's perception of American purposes. On the main issue — the solidarity of the alliance and the reliability of the U.S. guarantee — the American presidents have been right. Not always adept and sensitive, but right.

The painful truth is that very little in Moscow's performance in the last half dozen years suggests any other purpose in deploying SS-20s than to intimidate Europe. The Kremlin has grossly misread Western public opinion and official temper alike. It did its full share to close out what bits of negotiating room — the "walk in the woods" — came into view.

Helmut Schmidt, then West Germany's chancellor, summarized the issue succinctly in 1981. "We cannot do without the stationing of American medium-range weapons in Western Europe as long as the Soviet Union, with its new SS-20 missiles, poses a threat to the whole of Western Europe," he said. And "the Soviet Union has upset the military balance in Europe and created for itself an instrument of political pressure on the countries within the range of the SS-20, for which the West so far has no counterbalance."

Against this Soviet pressure, NATO has held. The deployment, however, is a somber occasion, certainly no victory for NATO. It is the difficult, necessary and continuing price that Moscow has forced the allies to pay to ensure the integrity of the alliance. The need remains to keep searching for diplomatic formulas that will lower the cost and the risk in maintaining free societies.

— *THE WASHINGTON POST.*

But Germany Is at Issue

The news is about new American missiles in Europe, threats of new Soviet deployments and the Soviet walkout from negotiations to regulate this phase of the arms race.

The underlying realities are these: It will take five years for all the new NATO missiles to be put in place. Any limit on Euromissiles will have to be part of a global arms compact. No such pact seems possible until after the 1984 election in the United States.

Then why all the Soviet fury? Because the Kremlin — countering an American president who, it judged, was stalling all negotiations until he could acquire more missiles — has found profit in a political counterattack against the NATO alliance. The true contest concerns not Western Europe's weapons but its adherence to the United States. Above all, the struggle is about the future of Germany.

It was a vote in the Bundestag that cleared the way for the first new American weapons and the Soviet walkout in Geneva. And it was Helmut Schmidt, idly tossing paper airplanes at his fellow Social Democrats, who symbolized the fateful turn in German politics.

Six years ago, while chancellor, Mr. Schmidt requested the new weapons in compelling terms. Now, despairing, he abstained. Although outvoted 2 to 1, his Social Democrats and a new party, the Greens, were opposed. More, they were reinflating the dream that German destiny, and reunification, may be found in neutrality between East and West.

By significantly upgrading the weapons they keep aimed at Europe, the Russians had awakened much West German disenchantment with NATO. What began as West German fear of the new Soviet weapons had turned into fear of American bellicosity.

The Russians' new Euromissiles, the SS-20s, did not threaten the United States or Britain and France. But they did alarm many West Germans who have forsworn nuclear weapons and depend for defense on NATO armies, backed by America's nuclear power. In imagining a Red Army assault, these Germans came to doubt that NATO would ever fire its short-range nuclear weapons now that the Russians hold all European cities hostage. So Mr. Schmidt asked that U.S. missiles capable of striking Soviet cities be placed in the Red Army's path to guarantee him a nuclear shield. In 1979 NATO agreed to deploy 572 such missiles, half in West Germany — unless Moscow agreed to scale back to a lower balance. As long as global arms control looked promising, so did these negotiations.

But as Soviet-American relations soured, the Russians turned to exploit the cracks in NATO. And they dangled a choice before West Germans, between perpetual danger in NATO and a safe neutrality leading to some kind of reunion with East Germany.

They played that siren song at high volume last week. Although they pronounced themselves newly threatened, they foresaw no difficulty protecting themselves. It was Germans they wanted to scare some more by charging that America was again maneuvering to sacrifice Europe in a global war it could thus "win."

That is, of course, a preposterous argument. The main value of the American missiles is not military but political, precisely to guarantee America's involvement, alongside its Western allies, in any European conflict.

It is also preposterous to think that the Russians would soon relax their grip on East Germany if West Germany turned neutral. Even if disarmed, a unified Germany would become a powerful magnet drawing the rest of Eastern Europe out of the Soviet orbit. No conceivable damage to NATO could compensate the Kremlin for such a menace.

But German nationalism has been known to feast on such dreams. Now that nationalist sentiment has pushed a major party to an anti-NATO line, Germans are under pressure to judge not only the adequacy of American power but the quality of American leadership. The new struggle is not about how many warheads are finally deployed in Germany, but about how many Germans will continue to find pride and safety in alliance with America.

— *THE NEW YORK TIMES.*

Other Opinion

After Geneva, a Question

Soviet President Yuri Andropov has issued a statement castigating the deployment of new U.S. missiles in Western Europe. Does this mean total rupture of the U.S.-Soviet negotiations for reduction of intermediate nuclear forces? Or is it merely the touching of gloves between contending boxers after they size each other up for the first round of a fight? It must be so, because the fate of not only the United States and the Soviet Union but of the whole world rests on the arms reduction talks.

— *The Daily Yomiuri (Tokyo).*

A Vigorous Very Old Age?

Maybe it's time to put the bomb away for a while. The demons receded en masse while I was reading a new book, "Future Life." These far-ranging interviews with 18 of the world's outstanding scientists were almost all shining with optimism. The scientists agree that cancer will be curable by the year 2000 and possibly a decade sooner. A vigorous old, very old age is a gift we can all anticipate.

"Everybody has it in his genetic material to live 105 years, maybe more," says Dr. Robert Good of the Sloan-Kettering Cancer Center in New York. Other scientists interviewed predict a life span of 120 years, with retirement starting at 100. It is possible that a cure for cancer and a cure for early old age will rise from the same research project.

The interviews, compiled by a French physician, Michel Salomon, do not involve fantasies or unproved hypotheses. They are all rooted in the known and the possible.

— *Syndicated columnist Harriet Van Horne.*

FROM OUR NOV. 28 PAGES, 75 AND 50 YEARS AGO

1908: Moroccans Name New Sultan

MADRID — The news from Tangier that Muley Mohammed, the One-Eyed, has been proclaimed Sultan by the natives has caused a considerable impression here. People are of opinion that the Moroccan question, which was thought at an end, is about to start afresh, as Muley Mohammed will be a strong opponent to the [disavowed] Sultan, Muley Hafid. Senor Allende Salazar, Spanish Minister of Foreign Affairs, stated last summer, in reply to a question as to whether Muley Hafid would make a good Sultan, that it was difficult to come to any opinion as regards the Sultanate in Morocco, as pretenders may spring up at any moment. It is difficult to decide whether this prophecy was an accident or whether the Minister let slip a diplomatic secret.

1933: Anti-Nazis Fight Boston Police

BOSTON — A mob of 5,000 persons, attempting to break up a Nazi meeting at Ford Hall last night, were beaten back by police reserves after a battle of clubs and fists in which several heads were cracked, a number of policemen beaten and uniforms torn before order was restored. The crowd gathered in front of the hall after Boston had been stirred by protests, following the announcement that Dr. Friedrich Schoenemann, of the University of Berlin, would speak on the topic "Why I believe in the Hitler government." Police reserves sent to the scene to be ready for an emergency were able to hold the mob at bay for some time, but finally the protesters took up the chant "Down with Hitler" and "Down with the Nazi," broke police lines and stormed the hall.

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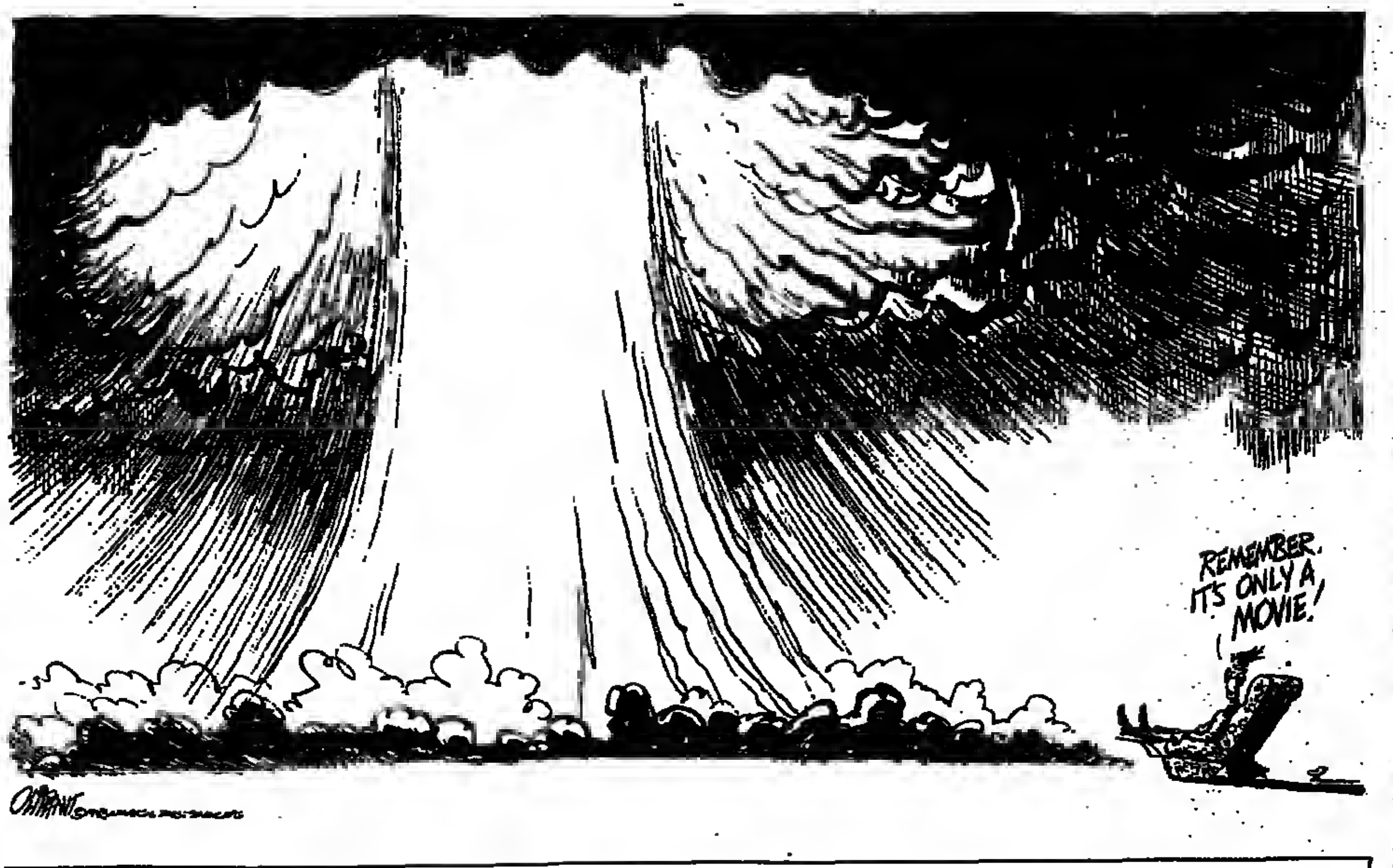

Now an Escalation That Wasn't Intended

By Tom Wicker

NEW YORK — It was an ironic coincidence — the Bundestag voting on the 20th anniversary of John Kennedy's murder to give final approval to Pershing-2 deployment on West German soil, six minutes from Soviet targets.

Kennedy came to recognize in his last year that, as he put it, if mankind didn't abolish nuclear weapons they would abolish mankind. Two decades later, with the number of warheads on both sides multiplied many times over, both sides continue to act upon the inverse logic that deploying more nuclear weapons is the right path to fewer nuclear weapons and greater security against the holocaust.

President Reagan and his cohorts are reported to be pleased with their success in beginning deployment of medium-range missiles in Europe, after years of intense Soviet opposition. In their view, apparently, deployment is a positive good, balancing a Soviet advantage.

But the other side of the story is that the Soviet "advantage" has existed since 1963, when Thor and Jupiter missiles were withdrawn from Europe as unnecessary to deterrence. Until 1977, moreover, Moscow kept more than 600 single-warhead SS-4 and SS-5 missiles aimed at Western Europe, with little protest from NATO or America.

In that year Moscow began deploying its modern, three-warhead SS-20 — a decision as shortsighted as the U.S. move to multiple-warhead missiles a decade earlier.

So NATO took its two-track decision in 1979. One track called for the deployment, by December 1983, of 572 Pershing-2 and cruise missiles in Europe. The other sought negotiations with the Soviets to reduce the overall level of medium-range nuclear weapons in Europe.

Clearly the deployment track was meant as a bargaining lever — a threat that Moscow could avoid by reducing its medium-range missile force. But the Reagan administration took that track as a positive mandate to deploy U.S. missiles — which would raise the level of such weapons in Europe, contrary to the intent of the negotiating track.

The original NATO intent was to reduce the level of deployment of medium-range weapons in Europe — not, if at all possible, to raise that level by equal U.S. deployment. And from the day of the two-track decision, Moscow has insisted on no U.S. deployment, since its view was that a rough parity in medium-range weapons in Europe already existed — its missiles against British and French missiles, U.S. forward-based aircraft and NATO's 400 submarine-missile warheads.

Nevertheless, in tacit acceptance of the Western view that deployment of the multiple-warhead SS-20 had given them a new advantage, Moscow has offered substantial reductions — most recently, on Oct. 26, to "about 140" SS-20s with 420 warheads, down from the present force of 243 SS-20s with 729 warheads plus about 200 old, single-warhead missiles. The 420 remaining warheads would in fact have been fewer than the number Moscow aimed at Western Europe before SS-20 deployment began in 1977.

Debatable, of course, is whether that is a sufficient Soviet reduction — whether Moscow might be persuaded to make further cuts as the price for keeping the Pershing-2 out of Europe. Still, it is an achievement along the negotiating track, to which the deployment track was intended to lend bargaining power.

Mr. Reagan insists, however, that Moscow is not even bargaining seriously, since it continues to demand no U.S. deployment of medium-range missiles in Europe; to him that deployment seems more important than lowering the level of Soviet warheads aimed at Europe.

Now the Bundestag has acted, the four-year process of U.S. deployment has begun and the Soviet Union has broken off the negotiations as threatened.

Washington insists rather nervously that Moscow will come back after a face-saving interval and negotiate "seriously," now that it knows U.S. deployment can't be stopped. But, as Yuri Andropov indicated Thursday, this may be a dangerous illusion. Meanwhile, that deployment means an increase in the level of medium-range weapons in Europe, hence another needless leap in the nuclear arms race.

The New York Times.

The British After Kennedy: Ambivalent Mourning

By William Pfaff

LONDON — The 20th anniversary of John F. Kennedy's assassination assumed in Britain — at least for those who write and edit Britain's newspapers and produce its television — the proportions of national mourning. Coming from the Continent, where the anniversary certainly received attention but nothing like this, one has to ask why.

The answer, I think, lies in a persisting British ambivalence about what the British nation now stands for, or can become; and, underlying that, a divided mind about the United States, its faithful ally.

The attention paid to the anniversary seemed greater here than in America itself. Virtually every major newspaper had it as its principal feature, publishing excerpts from new biographies of President Kennedy and new histories of his administration, interviewing his past associates — Arthur Schlesinger, McGeorge Bundy, Pierre Salinger and others.

There were BBC specials on radio and television. Independent Television initiated the three-part Kennedy history that played not only here but simultaneously on NBC and in dozens of other countries.

Yet while John Kennedy was alive — and although he spoke well of Britain, and listened deferentially to Harold Macmillan at international meetings — he certainly did the British no favors. The Kennedy presidency actually ended, for practical purposes, the "special relationship" established between the two countries in World War II.

The relationship survived the 1950s because Dwight Eisenhower was president and he, more than almost any other American, had been responsible for creating that relationship. He certainly was the man who made it work in the 1940s, when British and American armies, staffs and military traditions had to be put creatively together.

The blow to Britain that Mr. Eisenhower delivered in 1956, when he threatened financial reprisals if the Suez invasion went on, revealed Britain's loss of autonomy and its postwar decline in power, but it was also something that would only have been done by someone who felt as close to Britain as Eisenhower did.

The blow to British independence delivered in turn by John Kennedy, in abruptly cutting off the Skybolt missile program, was much crueler. The United States, for its own reasons, without consultation — indeed, hardly noticing the consequences for Britain — canceled a joint weapons program upon which Britain had based the future of its independent nuclear deterrent.

Polaris submarines and missiles were hastily substituted, in some embarrassment, but these made Britain totally dependent for its deterrent upon American willingness to go on supplying the missiles and the technology. Britain's subordination could not have been more nakedly stated. In fact, in the Kennedy years, West Germany replaced Britain as America's prinicpal European ally.

Why, then, should Britain today so admire and mourn John Kennedy? The answer seems to me to lie not in what he did for or to Britain but in what he stood for as an American. Precisely because Britain did, in the mid-20th century, choose to sink its international identity into the Atlantic relationship, it has needed to think well of the United States.

In 1940 there was a decision "to yield up the sceptre to America," as Lord Lothian said.

It was certainly in the logic of events, but it was not inevitable. It was a deliberate choice, made originally to save Britain by encouraging the eventual American intervention in World War II. After that, Britain — or Britain's governing elite, certainly — resolved, as Harold Macmillan himself put it, to play Greece to the American Rome.

A fateful decision, and one with obvious consequences to the national sense of self-respect, but also tolerable so long as the United States played Rome well — a triumphant, tolerant and republican Rome, worthy of admiration. It is this America, I think, that the British are recalling, and mourning, in John Kennedy. Justifiably or not, he seemed in so many ways to be America at its best, most brilliant, most energetic.

The British understood, as most Europeans did not, the moral and constitutional challenges subsequently posed for Americans under the Nixon administration. The United States, after John Kennedy, did not seem so wonderful.

For Americans themselves, that has presented problems, but also the possibility of their solution. For another nation, which has committed itself to the relationship with the United States, and in an important way remade its own understanding of itself in terms of that relationship, what has happened in the United States strikes more deeply, and imposes a certain sense of impotence.

What does this choice, made by Britain 40 years ago, mean now? To what future has Britain committed itself? What price has been paid, and what has yet to be paid?

These mostly remain unspoken questions, but they exist, unasked, below the surface of the alliance with the United States. In mourning Jack Kennedy so extravagantly these last few days, the British have been recalling not America's lost innocence, but losses of their own.

International Herald Tribune.

But See Here, There's Life After Empire

By Jonathan Power

LONDON — Dean Acheson once remarked — many here consider sagely — that Britain had lost an empire but not yet found a role.

Little could be so intoxicating as an empire. As a boy I collected Indian stamps that boasted the picture of George VI and, underneath, the inscription, "Emperor of India." Not even the French benered that.

At their meeting in New Delhi last week, as the leaders of the Commonwealth drove past the grand buildings designed by Sir Edwin Lutyens — architecture, as one critic has observed, that was "built to intimidate" — to the viceroy's palace that is now the president's, some might have wondered if Acheson was right.

But I would surmise that some of them realized, 36 years after the modern Commonwealth was created, that time — rather than architecture, grandeur or military force — has allowed us to see that Britain has found a role, and one to make the superpowers rather jealous.

Gathered in New Delhi were some four dozen heads of government or their stand-ins, meeting at first in the presence of Queen Elizabeth II. All recognize her as head of the Commonwealth, and some, including Marxists and post-Marxist Grenada, as head of state as well.

The fact that those leaders were prepared to give a whole week to this exercise suggested that they did not regard it as yet another gathering.

Most of them have known each other for years, meeting regularly through parliamentary exchanges or at one of the many Commonwealth get-togethers of ministers that precede any big international meeting. For instance, two months ago Commonwealth finance ministers met in Trinidad to prepare for the joint International Monetary Fund and World Bank meeting a month later.

Over time, something has happened that Acheson may not have foreseen. The clubiness — the urge to stay together despite differences — has given these legatees of empire a rare quality, a sense of familiarity that on occasion leads to intimacy.

That may seem to be of minor consequence to the professors of realpolitik, but in real life it is a measurable asset. It did not arrive on the doorstep of the Commonwealth partners like a military conquest, and it does not have the definiteness of a major international treaty like SALT-1. But it has something that force and treaties cannot buy.

The nearest competitor to it is France's special relationship with French-speaking Africa; but there is really no comparison. The Commonwealth brings together the world's largest democracy, India, half of Africa and the Caribbean, and the long-emancipated, mainly white former colonies of Australia, New Zealand and Canada. It crosses cultural, color, religious and time zones.

Intangible solidarity is probably the Commonwealth's most important asset — the ability to communicate in confidence, to think aloud without commitment. Members can call each other up and meet without the normal procedures of protocol.

Tangible solidarity is on the record. Arnold Smith, a former secretary-general of the Commonwealth and a Canadian, recalls how, at the meeting in Singapore in 1971, British Prime Minister Edward Heath had a bitter fight over his insistence that Britain would sell arms to South Africa and reactivate British presence at the Simonstown naval base on the Cape. The Commonwealth appeared about to break up, and was saved in the end by a deft compromise engineered by Canada's Pierre Elliott Trudeau during a coffee break. The arms deals did not go through.

In Lusaka in 1979, when Prime Minister Margaret Thatcher appeared about to recognize the illegal regime in Rhodesia, Nigeria and Australia were instrumental in persuading her to give a negotiated solution one more try. It was a success, and free elections were held under Commonwealth supervision.

It was galling to the right wing in Britain, but Mrs. Thatcher pledged in Parliament the day before she left for this year's meeting in New Delhi that Britain would honor the Gleneagles agreement of the 1977 Commonwealth meeting that prohibits sporting links with South Africa.

Mrs. Thatcher takes her Commonwealth obligations seriously. Can she, some Commonwealth officials have wondered, be liberalized as Edward Heath was before her? He became one of the Western world's most effective champions of economic and political reform on behalf of the Third World. Mrs. Thatcher probably did not need reminding that when the Commonwealth succeeds, it reflects well on Britain. Losing an empire may not be everything.

International Herald Tribune.

LETTERS TO THE EDITOR

For Buckley ...

Regarding "The Question Remains: What if America Gave Up?" (IHT, Nov. 22) by William F. Buckley Jr.:

An hour ago, as we ate breakfast and listened to the BBC about the demonstrations everywhere against the installation of missiles in Britain and on the Continent, I said to my American husband, "One wonders if the United States would not be better off to become isolationist." Then I read Mr. Buckley's column.

His article should be broadcast and televised in the United States, not once but many times, until it sinks into the dull minds of those clamoring for disarmament. Will the world never learn from the past?

EILEEN SCHLESINGER.
Zurich.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

... and Against

Mr. Buckley makes a mockery of a deadly serious issue. He gives us only two choices: either a perilous nuclear buildup or one-sided American dis-

(Continued on Page 5)

Helping Russia Evolve

By James H. Billington

WASHINGTON — Americans cannot directly determine in any important way how the Soviet Union will evolve. Nor should they look for a maturing society with its own traditions to replicate or even approximate their own. However, as the Soviets' principal adversary and object of fascination, America is more involved in the Soviet evolution than it may realize.

To me this suggests a need to begin, in the second half-century of relations, a far more comprehensive Soviet-American dialogue than was attempted in the first 50 years.

□

The first need at this time of dangerously diminished dialogue is for increased but more clearly defined contacts. All dialogue, especially at the higher levels, should be respectful in tone, particularly as the Russians crave respect and may invisibly mimic America's model. The dialogue should be of three quite different types, each with a different objective.

First, with the vestigial Stalinist oligarchy that is still in charge, dialogue should be tough and specific. One should never be soft and general with Stalinists. The meaningless "general principles" of the 1972 Soviet-U.S. summit facilitated rather than forestalled Soviet advances. Ingratiating approaches taken for domestic political reasons are invariably received as a sign of weakness and an invitation to further manipulation.

It is also important that there be only a single, substantive dialogue on the high strategic questions, because unity, like firmness, is essential for closing a deal. One should feel neither intimidated by threats of a walkout nor compelled to make gratuitous demonstrations of flexibility to win vague goodwill. The older leaders know about war and almost certainly want an agreement in this area.

Second, with the broader society and the postwar generation, the need is for an exploratory dialogue that is generous and general rather than tough and specific. Vastly expanded exchanges with this generation now might help build a basis for more comprehensive agreement later.

The social basis for repression in the U.S.S.R. today is the combination of a swollen state and a weak society. Broadened American exchanges with Soviet society as a whole — on a professional, regional, educational, cultural and purely random basis — would encourage the elements that make for civic responsibility. Economic contacts could suggest new models for management and encourage the kind of self-respect that might make Russians less psychologically dependent on gaining respect through the military.

Third, a new category of dialogue would involve Russians and Americans with other countries in discussing and developing a new global agenda — perhaps looking to the year 2000. Such a format would provide the model for the next generation of Russians, who must look to the West for new approaches to world order.

Many of the problems are themselves multinational, and new ideas may be easier to accept if there are new forums that are multinational rather than binational.

The continuing thermonuclear confrontation requires the first type of contact: tough and specific and at the highest level. Both sides have an overriding responsibility not to leave the nuclear negotiating table until they have begun to reduce the global menace they have co-authored, and not to make this overriding issue hostage to other issues.

The ideological aspect of confrontation is an ideal element for the broader level of dialogue that brings in the younger Soviet generation not yet in power. The peaceful discussion of ideas with that generation might help check the inertial drift of the vestigial Stalinists into endorsing revolutionary violence in distant places.

Almost certainly the traditional imperial aspect of Soviet policy will increasingly become a greater concern of Russia's Eurasian neighbors than of America. Since the problem of borders involves deep psychological sensitivity on the Russian side and the very existence of many neighboring peoples, it should not be left to the play of chance but discussed in the third type of multilateral dialogue over a long period of time.

There is clearly a need to increase support for Russian studies throughout America, and there should probably be one high-level place in government to provide comprehensive analysis and policy coordination for all dealings with the U.S.S.R.

□

No longer can there be any room for illusions about a governing group that, in the Stalin era, produced one of the two greatest, sustained, state-sponsored sets of atrocities against its own subjects in the 20th century. There can be no excuse for weakness in dealing with those who have ceased in the last 20 years to permit talk about, let alone restitution for, the horror on which their power rests.

But America does not have to lower its guard to raise its sights. It can invent new forms of dialogue, reach limited agreements, and perhaps even devise new forms of joint activity that can substitute cooperation for confrontation. The coming Soviet generation would welcome fresh initiatives. In seeking a non-Stalinist path into the future, it will want better links with both its own deep past and its broad, contemporary experience.

However, it might just prove harder to take small steps than big ones.

This is the third of three articles adapted from The Washington Post. The writer is director of the Woodrow Wilson International Center for Scholars in Washington and has written histories of Russian culture and the revolutionary tradition.

China May Cancel Zhao's U.S. Trip Over 'Unpleasant Incidents,' Hu Says

By Sam Jameson
Los Angeles Times Service

TOKYO — Prime Minister Zhao Ziyang of China might cancel his visit to the United States in January if the Reagan administration fails to rectify "one or two recent unpleasant incidents," according to Hu Yaobang, leader of the Chinese Communist Party.

Speaking at the Japan National Press Club, Mr. Hu said Saturday that China had officially asked for an explanation from the Reagan administration about a resolution on Taiwan's future recently adopted by the Senate Foreign Relations Committee.

"If there is no satisfactory answer, we would have to reconsider — even right before departure — whether the trip should be made, as scheduled," Mr. Hu said.

He said, however, that "we do not desire a cancellation of the visit to the United States."

He also reiterated past declarations that China considers improvement of its relations with the United States "important to world stability."

Mr. Hu did not say whether a cancellation of Mr. Zhao's trip would result in cancellation of a Chinese invitation to President Ronald Reagan to visit China next spring. However, both visits were announced simultaneously when Secretary of Defense Caspar W. Weinberger visited Beijing in September.

The trip to Japan by Mr. Hu, 68, was his first ever to a non-communist country.

He said that since the mutual exchange of visits between Mr. Zhao and President Reagan was decided, "one or two unpleasant incidents" have occurred. In his press conference, he mentioned only one: the Foreign Relations Committee's resolution on the future of Taiwan.

Mr. Hu said the "vital point" to which China objected was a declaration in the resolution calling for "all people on Taiwan" to approve any unification of the island with mainland China in the future. China claims sovereignty over the island.

In a meeting Thursday with Prime Minister Yasuhiro Nakasone, Mr. Hu identified the other "unpleasant incident" involving the United States. It was Mr. Reagan's reference to Taiwan by its official title, the Republic of China, and a pledge by Mr. Reagan not to abandon Taiwan.

Both statements were made during Mr. Reagan's Nov. 9-12 visit to Japan.

At his press conference Saturday, Mr. Hu also said China saw no need to develop relations with Washington beyond present levels.

Asked about the defection of a Chinese diplomat in Chicago on Friday, Mr. Hu indicated that Beijing would not make an issue of it.

Mr. Hu earlier met leaders of Japan's six leading business organizations and asked for their cooperation in developing coal mines and building hydroelectric and nuclear power plants in China.

During a lunch with Prime Minister Nakasone and his wife, Mr. Hu added precious metals, nonferrous metals and all forms of energy resources to the list of raw materials that he said China wanted Japan's help in developing.

Mr. Hu told both the business executives and Mr. Nakasone that China would be willing to allow Japanese companies to establish wholly owned subsidiaries and exercise complete control of their management, instead of setting up joint ventures with Chinese governmental corporations.

United Press International
A man believed to be a Chinese courier guarding two diplomatic pouches in New York after two couriers on a San Francisco-to-New York flight quarreled and one asked for political asylum after the plane landed in Chicago.

Chinese Courier, on a Jet Over U.S., Asks Asylum

By Andrew H. Malcolm
New York Times Service

CHICAGO — A Pan American World Airways transcontinental flight made an unscheduled stop here Friday after a passenger, a diplomatic courier for China, asked for political asylum.

The incident also reportedly involved a dispute on board the aircraft between the would-be defector and another Chinese courier over possession of diplomatic pouches they had brought aboard the plane in San Francisco.

After the loud dispute, which occurred when the Boeing 747 jumbo jet was about one hour's flying time west of Chicago, Captain Gerald Dion, the pilot of Pan Am Flight 72A, decided to land at O'Hare International Airport.

Captain Dion radioed ahead for assistance, and State Department and Immigration and Naturalization Service officials, as well as federal and local law enforcement authorities, met the flight.

After three hours, the Chinese defector, whose name was reported to be Yang, left the aircraft, and the plane continued on its way toward Kennedy International Airport in New York. There were no reports of injuries among the 88 passengers, 11 flight attendants and three cockpit crewmen.

The courier who left the plane was taken into custody by agents of the Federal Bureau of Investigation and the State Department and was taken to an undisclosed location. The other courier, with all the diplomatic pouches, continued on the flight.

Tom Coffin, customer service manager at the airport, said later: "The captain on board felt it was in his best interests for the safety of all the passengers to land in Chicago. There was no concern by any of the passengers."

According to John Drummond, the city's deputy aviation commissioner, a controversy erupted between the two couriers when the plane was near Chicago. A Pan Am spokesman described the incident as beginning with "some sort of heated discussion" between the two men, who were seated on different levels of the 747 aircraft.

One of the men then reportedly told a flight attendant that he wanted to seek political asylum. While the other courier stood by an aircraft closet containing the diplomatic pouches, the flight attendant informed Captain Dion.

According to the airline official, the pilot decided to land and "sort it out on the ground."

"When the plane landed," Mr. Drummond said, "it was held until the situation was resolved."

The officials said privately that they feared the reactions of the non-defecting courier if the plane's doors opened suddenly.

United Press International
Li Shuang, a Chinese artist, and her French fiancé, Emmanuel Bellefroid, after being reunited in Paris.

Chinese Painter Is Reunited With French Fiancé in Paris

Reuters

PARIS — Li Shuang, a Chinese abstract painter sent to a labor camp in 1981 for living with a French diplomat, has been reunited with her fiancé in Paris.

The couple embraced as Miss Li, 27, arrived Saturday from Beijing, where the authorities gave her permission to leave Friday.

Chinese-French relations were strained by Miss Li's sentence in late 1981 to two years in a labor camp for re-education after being charged with "incitement to debauchery" — living in a foreigners' compound with Emmanuel Bellefroid, the French cultural attaché.

Chinese authorities go to extreme lengths to discourage contact between foreigners posted to China and Chinese citizens.

But diplomats in Beijing believe the real reason Miss Li was jailed was because of the links she and Mr. Bellefroid maintained with Chinese dissidents.

Mr. Bellefroid was effectively expelled after being accused of acting in a manner incompatible with his diplomatic status.

Miss Li was released last July, before the end of her sentence.

"I'm convinced that without the support of public opinion and the press I would never have been reunited with Li Shuang," Mr. Bellefroid said at the airport. "Now we're going to get married and be happy."

Miss Li, speaking in Chinese, said she loved her family and country and intended to return at some point.

She told a French journalist she wanted to get married as soon as possible, but completely in accordance with Chinese law. She added that she hoped to resume painting.

News of Miss Li's arrest broke during a visit to Beijing by Michel Jobert, then the French foreign trade minister, in November 1981. Mr. Jobert unsuccessfully interceded for the couple with Chinese leaders, and the incident cast a pall over Chinese-French relations.

News that Miss Li had been allowed to leave the country came just a few weeks before China and France are due to celebrate the 20th anniversary of their establishment of diplomatic relations.

New Argentine Leaders Said to Reject N-Pacts

By Jackson Diehl
Washington Post Service

BUENOS AIRES — The director-general of the International Atomic Energy Agency says that members of Argentina's incoming democratic government have indicated that they will not change the country's long-standing policy of refusing to accept international safeguards for Argentina's advanced nuclear plants.

Hans Blix of Sweden, the agency head, said Friday that he had again urged Argentina to accept such safeguards.

He met Thursday with Raúl Alfonsín, the Argentine president-elect, and earlier became the first international official to visit a new Argentine plant for enriching uranium.

In mid-November, the Argentine authorities announced the existence of the facility in southern Patagonia and said it made Argentina the ninth country in the world with uranium-enrichment capacity. Enriched uranium can be used to produce nuclear weapons.

Mr. Blix said that the new enrichment plant has been described by Argentine officials as capable of enriching uranium by a factor of only 20 percent, well below the level needed for weapons.

The incoming government "is contemplating the way it will handle the nuclear industry," he said, and "discussions we have been pursuing with Argentina for a long time on a safeguards agreement will continue."

Mr. Alfonsin issued a statement Thursday saying that Argentina's nuclear program would be limited "to exclusively peaceful ends".

New Code of Canon Law Takes Effect, Ratifying Changes in Catholic Church

By Kenneth A. Briggs
New York Times Service

NEW YORK — A revised code of canon law for the Western rite of the Roman Catholic Church went into effect Sunday, nine months after it was promulgated by Pope John Paul II.

The revision includes nearly 1,700 laws, 700 fewer than the previous code, which was released in 1917. Because canon law is a procedural guide, subordinate to dogma, it is open to diverse interpretations.

Revision of the code, which governs Catholic practice by specifying the pragmatic implications of the church's basic teachings, took place over a 17-year period and was called for by Pope John XXIII in 1960 on the day he summoned the Second Vatican Council.

For most Catholics, the formal institution of the revised code mostly ratifies changes that have already taken place in the last decade rather than introducing new practices.

The most notable exception for American Catholics is that the church will be required to give up a simplified system of marriage tribunals that had become a more expeditious means of handling the thousands of requests for annulments that are made every year.

In broad terms, the Vatican Council's main emphases on the communal, organic character of the church are central concepts in the revised code. Hierarchical and clerical powers remain intact but are somewhat played down in favor of seeing the church as a cooperative unit composed of interacting parts.

Further reflecting the Vatican Council's outlook, the revised code stresses the function of shared authority and the needs and rights of Catholic people. It is generally regarded by canon lawyers as less legalistic and more directed toward encouraging the faithful than imposing discipline upon them.

Parish councils, finance commissions and priests' senates are all incorporated as new elements in the revised code. Members of the laity are officially made eligible for such responsibilities as serving communion and holding positions as diocesan chancellors. Women are certified to sit on marriage tribunals, but otherwise their status remains basically unchanged.

The biggest impact of the revised code, according to Catholic officials, is to prod laggardly dioceses into carrying out Vatican Council reforms.

In the revised code, the purpose of canon law is largely understood to be a means of inspiring individuals to accept church teaching rather than a punitive means of chastising lawbreakers. The list of offenses requiring excommunication has been greatly reduced.

LETTERS TO THE EDITOR

(Continued from Page 4)

armament with subsequent Soviet domination. His "Soviet beast" is no less dangerous than the American beast. *Both* sides must disarm.

DAVID S. MILLER.
Copenhagen.

It is obvious that the West must speak from strength *if* it means to do business with the Russians. But the West is *already* strong. How in heaven's name can more atomic weapons be the answer?

J.A.C. RUPERT.
Blonay, Switzerland.

The remaining question, contrary to Mr. Buckley's absurd argument, is, When will he and people like him give up? For years the American people have been subject to hysterical anti-Soviet propaganda ("the Soviet beast"). This mentality is archaic and people should realize it. Why are the most conservative spokesmen so afraid of disarmament? What have they to lose that the more liberal human beings of America have not?

I for one cannot bury my head in the quicksand of religion and find my satisfaction in the hereafter. And perhaps it is because I am young that I care about future generations and the "100 million Americans" who would die — even if they "are going to die one of these days" in any case.

You do not prevent cancer by stockpiling cigarettes.

JULIE HOWELL.
Paris.

Mr. Buckley's statement that the 100 million Americans who would be killed in a full-scale nuclear war "are going to die one of these days without nuclear anesthetic, and in almost every case more painfully," is so frighteningly irrational that it precludes intelligent comment.

SUSAN CHRISTIAN.
Paris.

Against Lewis, Too

It's getting increasingly difficult to tell the difference between a Tass release and a column by Anthony Lewis. Do we need both?

CARL KOCH.
Frankfurt.

Kennedy: A Demurral

Regarding "John F. Kennedy and a Nation's Vanished Dreams" (IHT, Nov. 21) by Tom Wicker:

Your front-page headline to the effect that America's dreams vanished with President John F. Kennedy is quite incredible.

Many Americans think that America's problems today can be attributed largely to Kennedy. Internationally, he was responsible for making a permanent fixture out of Castro and communism in Central America — by refusing air and naval cover for the Bay of Pigs invasion and then pledging to Khrushchev never to attack Castro; and it was Kennedy who began putting U.S. troops into Vietnam on a massive scale.

It is also utterly untruthful to claim that he was the major force for the rights of the American black. President Kennedy largely ignored the blacks and the civil rights movement at first.

The American dream has vanished? Anyone who knows America and the rest of the world well can constantly feel the creative urge of America and the lack of it elsewhere. America is quite possibly the only place in the world where the means to actively pursue dreams are freely available to the individual, whoever he is.

M.K. GREEVEN.
Barr, France.

America and Europe

In response to "Time to Withdraw U.S. Forces From Europe" (Letters, Nov. 14) from Laurence I. Radway:

Professor Radway, no matter how well-intentioned, typifies those in the West who stubbornly believe that gradual withdrawal of U.S. troops from Western Europe *might stimulate similar moves* by the Soviet Union in Central and Eastern Europe. *To put a mark of* equation, even by implication, between that brutal *enslavement* by the Soviet Union and the American presence in Western Europe borders on absurdity.

The writer suggests ways for a gradual surrender of Western Europe to the Soviet Union. He also talks about "legitimate security interests" of the Soviet Union in the east-central part of Europe. The fact is that the independent Polish state before World War II, even under an allegedly unfriendly (read: anti-communist) regime, was no security threat to Russia. On the contrary, the Soviet Union bore a heavy share of responsibility as a co-perpetrator of military aggression against Poland.

Today the Polish nation continues its seemingly hopeless struggle for a more independent form of statehood. *This is perhaps one of* the "perils" that worry Professor Radway so much. Alas, a lasting peace in Europe must include the whole European continent.

Only by relinquishing its tight *colonial grip* over Eastern and Central Europe can the Soviets provide *proof* of their peaceful intentions. And only if that happens can the role of NATO in Europe be rendered largely superfluous.

J. MONDRY.
London.

The Grenadian Choice

Regarding "U.S., Caribbean Troops Hold Hundreds Suspected of Link With Bishop, Council" (IHT, Nov. 14) by Loren Jenkins:

What's this I read about the *establishment of a pro-Western government* in Grenada? I understood that *the Grenadians were to be free* to choose which kind of government they want now that the Cubans, Russians, Libyans, Bulgarians and North Koreans have been killed or sent packing.

PAUL ROMANO.
Cologne.

In 'Spirit of the Elbe,' Chicagoan Is Buried Near It

East German Rites Honor Former GI Who Sought U.S.-Soviet Understanding

By James M. Markham

New York Times Service

TORGAU, East Germany — Borne to his grave by Soviet and American military pallbearers, Joseph Polowsky was buried Saturday in this town by the Elbe River that he helped liberate when the United States and the Soviet Union were allies in 1945.

Under a cold rain, Russians, Americans and knots of townspeople honored the memory of Mr. Polowsky, a Chicago taxi driver who led virtually a one-man campaign to build friendship between the United States and the Soviet Union and revive "the spirit of the Elbe."

Mr. Polowsky, who died of cancer in Chicago on Oct. 17, had asked to be buried in Torgau — where the Red Army and U.S. troops linked up 38 years ago — in the hope that he might kindle reconciliation between the two nations.

On April 25, 1945, Mr. Polowsky, a private in the 273d Regiment of the 3d Army's 69th Infantry Division, was in a reconnaissance patrol that reached the Elbe and met Soviet forces coming from the east. The pincer move extinguished the resistance of Hitler's troops, and the linkup produced fraternizing and rejoicing — an indelible moment for Mr. Polowsky, whose grandparents were born in Minsk.

The East German Communist authorities agreed to his request to be buried here, and friends from his little group, known as Veterans for Peace, helped raise the cash to bring his body here.

Mr. Polowsky's dream of Soviet-American friendship was, fleetingly, fulfilled on Saturday morning. Three Soviet war veterans and three Americans wheeled his silver-gray coffin, draped in the American flag, to a grave by a bed of pine branches in the Torgau cemetery.

There the Rev. William Sloane Coffin Jr., pastor of the Riverside Church in New York, delivered a rendering from the Book of Micah: "And it shall come to pass in the better days that the mountain of the house of the Lord shall be raised above all mountains, and nations shall come and beat their swords into plowshares and their spears into pruning hooks. And nation shall not lift up sword against nation."

But the weather and the drabness of the flat countryside conspired to evoke the current chilliness of Soviet-American relations, not Mr. Polowsky's hopeful vision.

Although the East German authorities had not announced the funeral ceremonies, word spread, and clusters of Germans quietly followed the coffin as it was borne through their town.

"The whole town would have come out if they had announced it," said a local schoolteacher. "But they didn't want that. They didn't want a demonstration."

Moved by his experience, Mr. Polowsky visited Moscow in 1955 and met with Nikita S. Khrushchev and Soviet veterans of the Elbe campaign. He sent petitions and open letters to world leaders, urging them to halt the spread of nuclear weapons, and every April 25 kept a vigil by the Chicago River.

On Saturday, at a Soviet war memorial by the muddy river, three Soviet soldiers in gray greatcoats and three U.S. Army soldiers simultaneously laid wreaths in memory of Mr. Polowsky. Earlier in the morning, the wreath-laying had almost stirred an incident when Major General Alexei Gorlinsky, the senior Soviet officer, said the Soviet wreath should be laid first. But he bowed to a suggestion from Bruce Clark, a political counselor at the U.S. Embassy in East Berlin, that the wreathes be laid at the same time.

Trembling in the rain, the elderly Soviet general praised Mr. Polowsky as "a grass-roots American" who had dedicated his life to "furthering friendship between the people of the United States and the Soviet Union so that wars would never happen again."

"We affirm our allegiance to the spirit of the Elbe," said General Gorlinsky, who nonetheless indirectly charged the Reagan administration with accelerating the arms race and believing that nuclear war could be fought and won.

Theodore Polowsky, 23, the son of the cab driver, presented the Soviet delegation with a Russian Bible and gave a German Bible to Torgau's mayor, Horst Strahle.

Rightist Killers Known To Salvador, Envoy Says

By Robert McCartney

Washington Post Service

SAN SALVADOR — The U.S. ambassador to El Salvador, Thomas R. Pickering, has accused the Salvadoran authorities of failing to crack down on rightist death squads even though individuals responsible for the killings were "well known" to the security forces.

Mr. Pickering's statement Friday marked the first time that a U.S. official has said publicly that the Salvadorans knew who was behind the murders.

Without going into details, the ambassador confirmed the accuracy of recent U.S. news reports that had singled out several officers of the Salvadoran security and military intelligence services as alleged leaders of the assassination teams.

"None of us," he said, "can afford to continue in the self-deluding belief that nothing is really known about the shadowy world of these individuals and therefore nothing can be done. The cost is too great for both our nations."

Mr. Pickering reaffirmed recent strong U.S. criticisms of the death squads, calling them "fascists serving the communist cause." The criticisms have come in response to an upsurge in murders this fall as the country prepares for presidential elections in March.

"The essential stumbling block to democracy in El Salvador remains extremist terror," he said.

Mr. Pickering delivered his speech to about 150 members of the American Chamber of Commerce in San Salvador. There was scattered applause when he re-emphasized the necessity that the Salvadoran government move against the death squads, and polite applause as he finished.

The speech was Mr. Pickering's first since he arrived in El Salvador as ambassador in early September.

His strong attack on the death squads was considered particularly significant because it continues the practice of his predecessor, Deane R. Hinton, who used the same forum to criticize the killings last year.

The replacement of Mr. Hinton with Mr. Pickering was viewed as reflecting the Reagan admininistration's dissatisfaction with Mr. Hinton's outspoken statements on El Salvador, so any easing of criticism of the death squads by Mr. Pickering might have been viewed as a tacit endorsement of their activities.

Mr. Pickering's address followed strong criticism of the death squads earlier this month by Fred C. Ikle, undersecretary of defense for policy. The U.S. State Department also issued a public statement condemning the upsurge in killings.

The squads generally target persons whom they suspect of leftist sympathies. Civilian officials are believed to be intimidated by the teams, which are held responsible for most of the estimated 35,000 killings in El Salvador in the past four years.

Mr. Pickering said the U.S. Embassy has shared its information about the death squads with the Salvadoran government.

"There is information available to many of us about some of the personalities involved," he said. "I am keenly aware that much of that information may not at present be sufficient for a court of law. My deep concern is that no one seems to be trying to develop evidence which would stand up in court."

He added: "There is a now a starting point. We are certain that these individuals are as well known to the security forces as they are to those of us who have been in the country only a short time. In fact, information has been recently published in the foreign press repeating much of what is already known about death-squad activities."

Recent U.S. news reports, based on comments of U.S. officials and Salvadoran sources, have identified four men as being involved with the assassination teams.

They are: Héctor Antonio Regalado, security chief of the Constituent Assembly; Lieutenant Aristides Alfonso Márquez, intelligence chief of the National Police; Major José Ricardo Pozo, chief of the Treasury Police, and Lieutenant Colonel Mario Denis Morán, provincial army commander and former National Guard intelligence chief.

Reports have also linked Roberto d'Aubuisson, president of the Constituent Assembly, to the death squads. A former army major, he is likely to be the presidential candidate of the far-right Nationalist Republican Alliance.

■ Salvadoran Army Shake-Up

A major shake-up in the Salvadoran Army has affected some but not all of the suspected members of rightist death squads, United Press International reported Sunday from San Salvador, quoting U.S. officials.

The army announced changes that shifted commanders in nine of El Salvador's 14 provinces and installed new leaders of the country's three U.S.-trained battalions.

Among officers affected by the changes were two who have been linked by the U.S. Embassy to suspected death squad activity, U.S. officials, who asked not to be identified, said .

The officers they identified were Colonel Márquez, who was transferred to the Defense Ministry, and Colonel Elmer González Araujo, commander in Sonsonate province, who was named deputy director of the Military Academy.

However, the U.S. officials said there had been no changes in the intelligence service of the Treasury Police, which embassy sources have said has some of the strongest links to death squad activity.

United Press International

Corazón Aquino, right, at a rally on Sunday in Manila commemorating her husband. At left is Saturnina Galman, mother of the man officially accused of killing Benigno Aquino. At center is Lorenzo Tanada, an opposition leader.

Aquino Inquiry in Manila Is Said to Progress Slowly

New York Times Service

MANILA — A five-member board of inquiry looking into the slaying of the opposition leader, Benigno S. Aquino Jr., made little headway last week, according to a lawyer observing the proceedings.

The group, which began formal sessions last Monday, took testimony from military officials, but the lawyer said the statements only added more discrepancies to a case already dominated by contradictory and unclear evidence.

The fact-finding board, headed by a retired appeals court judge, Corazón J. Agrava, had sought to draw a broad outline of what happened on Aug. 21.

On that day Mr. Aquino, returning to Manila after three years in voluntary exile in the United States, stepped off a plane from Taiwan and was shot to death. Rolando Galman, a man identified by the government as a professional assassin with Communist associations, was killed at the scene, and the government said that he had killed Mr. Aquino. But there were immediate suspicions that the government had had a hand in the assassination.

In public sessions, the board of inquiry questioned the commanding general of the Aviation Security Command and four of his subordinates.

The reported inconsistencies and ambiguities in the testimony of the military men led the board members, all private citizens, to question them in great detail, slowing the pace of the inquiry.

The murder of Mr. Aquino touched off a political and economic crisis here. In Manila alone, businessmen, poor laborers, teachers and students staged separate protest rallies last week demanding the resignation of President Ferdinand E. Marcos.

[Protests, some violent, were staged throughout the country Sunday to mark the 51st anniversary of Mr. Aquino's birth, United Press International reported.]

The formal hearings began last week after several days of sessions related to the death of Mr. Aquino's purported assailant. No previous investigation of the opposition leader's death made headway because of public distrust of investigators who had been appointed by Mr. Marcos.

News accounts and photos of Mr. Galman, the alleged assassin, showed he wore an ill-fitting blue shirt over denim pants that were unbuckled and unzipped. A government report claimed he had penetrated airport security by presenting the credentials of a member of the presidential security command. But some lawyers question how Mr. Galman could have breached security dressed in such a fashion.

The operations officer of the Aviation Security Command, Colonel Ager Ontog, told the board it was unlikely that his guards would have admitted such a suspicious-looking person. A total of 1,199 members of his command were on duty to secure the airport for Mr. Aquino's arrival.

Colonel Romeo Ochoco, deputy commander of the Aviation Security Command, testified on the medical preparations for an attack on Mr. Aquino. He said they "considered but did not decide to use" the facilities and personnel of medical stations at the international airport building or the Philippine Air Force compound. The mortally wounded Mr. Aquino was loaded into the special weapons team's van and driven to the army general hospital several minutes away. He was dead on arrival.

The highest-ranking officer to testify, Brigadier General Luther Custodio, commander of the Aviation Security Command, said his men could have escorted Mr. Aquino through the normal route via the passenger tube into the terminal building. But he said it was decided to take him down the service stairs to the tarmac, where a van was waiting to take him to the air force headquarters.

General Custodio was asked by investigators why he did not board the plane to make the arrest there and thus enhance safety. The officer replied that it was necessary to transport Mr. Aquino to headquarters "as a courtesy to a VIP."

■ Youths Riot in Manila

Police and riot troops clashed in Manila with hundreds of youths hurling stones and homemade bombs Sunday in a violent climax to rallies marking the 51st birthday of Mr. Aquino, United Press International reported. Police and hospital officials reported 17 people injured in at least three separate clashes.

More than 200,000 Filipinos held protests across the country Sunday. In the capital, a man carrying a concealed knife was disarmed within feet of Mr. Aquino's widow, Corazón.

Tehran Sets Trial For Members of Communist Party

Reuters

TEHRAN — Members of Iran's banned communist Tudeh Party, several of whom have confessed to spying for Moscow, will go on trial on Dec. 6, Iranian authorities said.

The announcement Saturday, by the office of the revolutionary prosecutor of the armed forces, appeared in a weekly newspaper.

It said the accused were members of the "underground organization" of the Tudeh Party, but did not name them.

The party's secretary-general, Nureddin Kianuri, and more than 1,500 members were reported to be in jail.

International Bond Prices - Week of Nov. 24

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston
Prices may vary according to market conditions and other factors.

RECENT ISSUES

Amt	Security	%	Conv Price	Issue Pr.	Mid Pr.	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS

All Currencies Except DM

Amt	Security	%	Mat	Price	Avg Life	Curr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIA

AUSTRIA

BELGIUM

CANADA

DENMARK

EUROPEAN INSTITUTIONS

FINLAND

FRANCE

GERMANY

GREECE

HOLLAND

ICELAND

INTERNAT INSTITUTIONS

IRELAND

ITALY

JAPAN

HIGHEST YIELDS to Average Life Below 5 Years

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HIGHEST YIELDS to Average Life Above 5 Years

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HIGHEST CURRENT YIELDS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ZERO-COUPON BONDS

Security	Maturity	Original Issue Price	Offered Price
[illegible]	[illegible]	[illegible]	[illegible]

(Continued on Page 10)

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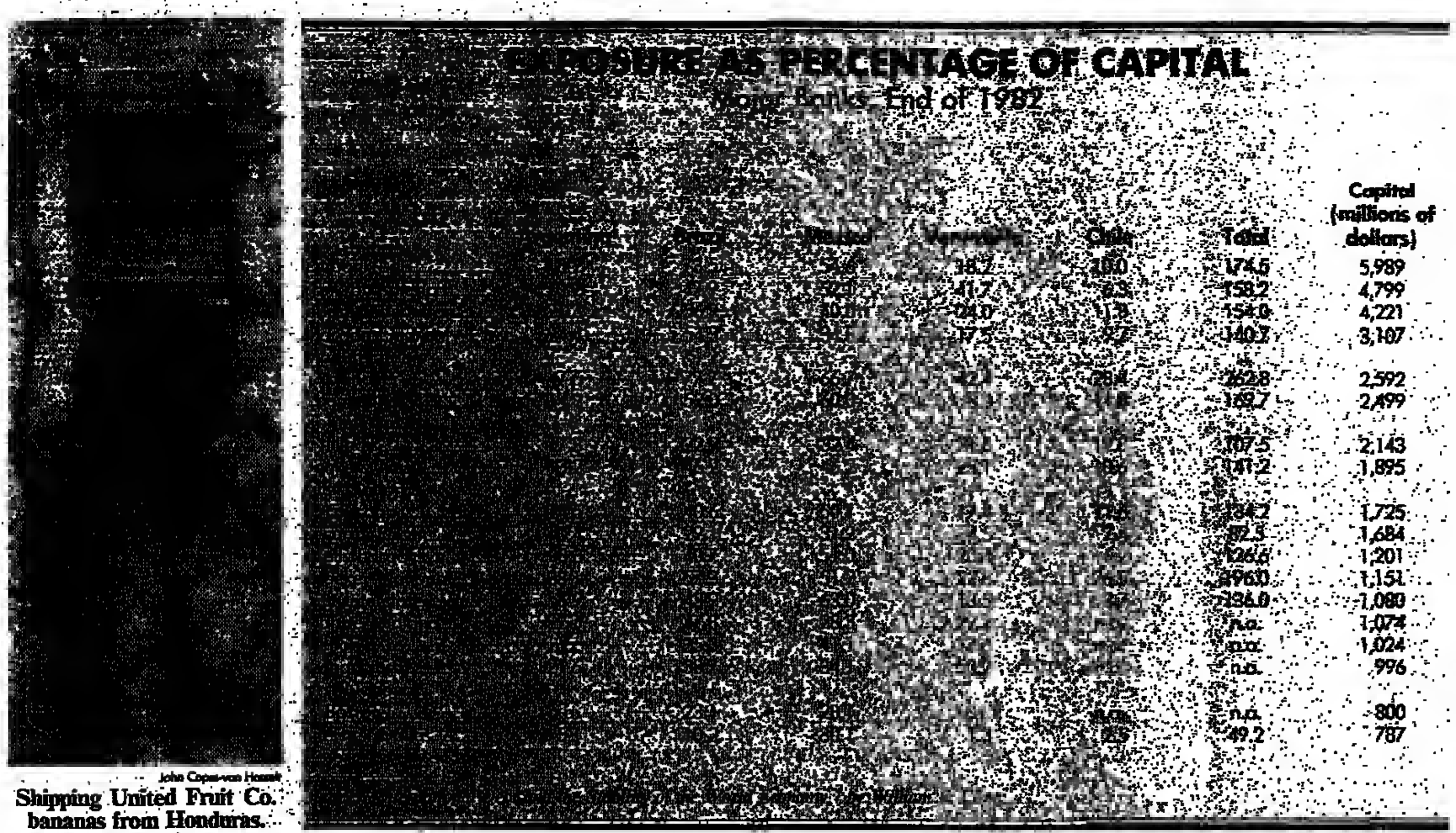
International Herald Tribune
Published With The New York Times and The Washington Post

EUROMARKETS

A SPECIAL REPORT — PART I

Part II Will Appear In Tomorrow's Editions



Shipping United Fruit Co. bananas from Honduras.

True Gravity of Debt Crisis May Only Now Be Visible

By Carl Gewirtz

PARIS — Fifteen months is too long for any crisis — especially one in which no shots are fired — to remain a critical issue.

Endless negotiation and renegotiation to contain the crisis bores the public and creates a sense of false security, even among the negotiators, that muddling through is an acceptable substitute for finding solutions.

And so it is with the potentially catastrophic debt crisis of Latin America.

Despite the manifest complacency, a number of experts believe that the enormity of the debt problem is only about to surface — the result of the scarcity of international credit and the limits on countries such as Mexico and Brazil to suppress their foreign currency requirements by wringing out imports.

The official view, as expressed by the International Monetary Fund, the World Bank, the Bank for International Settlements and their leading member governments, is that continued austerity in the debtor states coupled with somewhat faster world economic growth will keep the debt problem contained to manageable proportions.

"It will be very difficult," one central banker said, "to get commercial banks to repeat next year the very modest 1983 performance of increasing their international exposure" to developing countries. "On the other hand, I'm inclined to think the U.S. business upswing will continue, and modestly spread to other OECD countries. If that happens, the financing needs of the developing countries may decline more than expected.

"It's an open question which will be first: Will the slowdown in bank lending create very difficult conditions, or will the U.S. recovery produce a sharp improvement in the situation of developing countries?"

But economists outside official policy circles decry the excessive optimism about developing countries being able to sustain a policy of austerity and about growth prospects in the industrialized world. And they lament the absence of what they call serious efforts to develop long-term solutions.

The measures of complacency are many. One is the value financial markets put on the securities of the most exposed commercial banks. When the crisis erupted following Mexico's unilateral declaration of a 90-day payments moratorium in August 1982, the rate of interest U.S. banks were forced to pay for one-month money shot up to 400 basis points over comparably dated U.S. Treasury securities.

Today, that margin is down to 50 points.

A more meaningful measure of complacency is the official inaction to improve the economic environment. Everyone agrees that two conditions are absolutely necessary if the debt problem is to be contained within manageable proportions:

- Economic activity in the industrialized world must expand by at least 2½ percent a year through 1986 and trade barriers must come down to provide hard-currency export earnings for the raw material and manufactured goods of the developing countries.
- And interest rates must decline. Lower rates are needed to both foster the economic recovery and to lessen the debt burden. Each percentage-point decline in interest rates cuts an estimated $3 billion off the debt burden. And each percent rise in economic growth among the 24 nations of the Organization for Economic Cooperation and Development is estimated to equal a 5-percentage-point drop in interest rates.

Interest rates have declined. The London interbank offered rate (Libor), on which the bulk of the Third World's commercial debt is based, peaked at 13¾ percent in the weeks after Mexico's moratorium and subsequently fell to 8⅞ percent. But Libor is currently 10 percent — and rising.

OECD economic growth, thanks to a strong advance in the United States, is rising at about a 3½-percent annual rate — double the recession rate estimated for the first six months of this year.

But doubts persist about the durability of that growth because of the exceedingly large U.S. budget deficit, current and projected, and the impact that financing such shortfalls will have on U.S. interest rates.

As noted, rates are already picking up. The dollar, after declining from its post-devaluation highs set in August, is again climbing and severely constricting the ability of other OECD countries to lower their interest rates to fuel their economic growth.

The size of the current-account deficit developing countries will have to finance hangs on the outcome of expansion in the industrialized world, the level of interest rates and the value of the dollar. The current account includes the trade balance and capital flows — of which the most important are payments of interest and principal to service their debt.

The current-account deficit of the nonoil developing countries peaked in 1981 at $78 billion, with more than half — $42 billion — financed by bank loans.

This year, the deficit is projected to total $45 billion — down from the $51 billion estimated at mid-year due to the slashing of imports by such countries as Mexico and Brazil. The 1984 deficit is forecast to remain virtually unchanged at $44 billion.

But bank loans are decreasing. Last year they accounted for 42 percent of the current-account deficit and this year they are projected to cover a little more than one-third. In addition, more than half of this

(Continued on Following Page)

Loan Burden Threatens Latin American Stability

By William A. Orme Jr.

MEXICO CITY — While the debt crisis in Mexico may appear temporarily resolved, the burden of unpaid foreign loans still threatens the political and economic stability of nearly every nation from Mexico City to Tierra del Fuego at the tip of the continent, analysts said.

The possible outcome of the crisis — a region-wide suspension of debt servicing and a drastic plunge in area investment and trade — would not only effectively paralyze Latin America's largest economies, Mexico's included, but also would disrupt world commerce and finance on a scale unknown for half a century, according to these experts, who are among the region's top economic officials and public-sector financial analysts.

Last year, Latin America was hit by what the United Nations Economic Commission for Latin America (ECLA) called its "most profound economic crisis since the Great Depression of the 1930s." After more than three decades of economic expansion of nearly 6 percent annually, the region's economic growth stopped abruptly in 1982. In every Latin American country, except Panama and Cuba, per-capita income registered a real decline, dropping in many cases below the levels of a decade ago, and prospects for significant new growth suddenly seemed in most to be several years distant.

Catalyzing this painful turnaround, officials said, was the refusal of foreign bankers earlier this year to roll over the short-term loans they had automatically and even eagerly renewed in the past. While private lenders had funneled $11.7 billion in new loans to the region in the first semester of 1982, foreign commercial financing in the second half of the year collapsed to $300 million.

"It started as a bankers' panic, not a genuine financial crisis," said a Latin American economic analyst, reflecting a common view in the region. But "the crisis is quite genuine now," he added.

Latin America, according to an unpublished ECLA report circulating in offices of the finance ministries and central banks throughout the region, simply cannot repay its $300-billion debt unless lenders reschedule payments on much more generous terms and provide at least $35 billion in fresh financing before 1986.

The alternative, the report said, is for the region's nations to adopt far stricter economic austerity measures, with "all the serious economic, social and political consequences that implies," or to "declare a unilateral [debt-servicing] moratorium, as the majority of them did in the 1930s."

The "Brazilian road show" of the president of the central bank, Affonso Celso Pastore — a world-touring attempt to convince commercial, multilateral and Western government lenders to give Brazil another $9 billion by the end of next year — is encountering stiff resistance. Before forwarding their $6.5-billion share, $3 billion of which the Brazilians said they need immediately, commercial bankers are waiting to see if the IMF will renew the $4.6-billion credit pact it

(Continued on Following Page)

Asian Offshore Banking: The Shakeout Continues

Special to the IHT

TOKYO — A year ago, the future of offshore banking in Asia seemed settled. Hong Kong looked set to make even more money out of the booming syndicated loan market. Singapore's foreign-exchange dealing activity was reaching record levels, urged on by the Monetary Authority of Singapore (MAS). Tokyo's bankers and bureaucrats were mulling over the conclusions reached by a high-powered survey mission that had visited the world's offshore centers — a step widely interpreted as the first on the path to a Tokyo offshore banking market.

Today, things look different.

Syndication managers in Hong Kong are trying to cope with a market that is less than half the size of 1982's. The MAS has turned its dealing business more to Europe and the United States, and the offshore banks — the Asian Currency Units (ACUs) — in Singapore have stopped growing after years of very rapid increases in assets. And in Tokyo, the idea of offshore banking has been elbowed back to the end of the queue of proposals for liberalizing Japan's financial markets.

Part of the unexpected contraction of offshore banking activity in Asia in 1983 can be attributed to the general slowdown in demand for international financing — a slowdown that has been much more abrupt than many bankers expected, even given the known likelihood of default by major debtors.

About $145 billion worth of international syndicated loans were arranged in 1982. Hong Kong, as the syndication center for Asia, had more of the business than either Singapore or Tokyo. Between $6 billion and $7 billion of those loans were signed in Hong Kong, against about $3.5 billion in Tokyo (the dollar value of syndicated credits denominated in yen), and about $2.5 billion in Singapore.

During the first 10 months of this year, however, about $65 billion worth of international credits were arranged, against the $130 billion or more in the same period of 1982. To a limited extent, the Asian centers of international finance have been less affected than their colleagues in the Euromarkets or in the United States. The supply of funds to Asian countries has not dried up to the same dramatic extent that it has in the case of lending to Eastern Europe, Latin America or Africa, because banks by and large are still happy to lend to many of the newly industrialized countries of Asia — the bankers' creed being, in this as in other instances, that those who do not need, get. Even so, less than $10 billion in new syndicated funds has found its way to Asian countries this year, against about $15 billion last year, and the flow of funds in the future is likely to be even more cautious because of the imminent renegotiation of the Philippines' debt and continued worries over Indonesia (hurt by falling oil prices) and South Korea (with a large outstanding debt to service).

The contraction in Asian-dollar finance has been matched by a similar slowdown in the provision of yen funds. Japan's banks were authorized by the Ministry of Finance to extend about 700 billion yen ($3 billion) in new yen credits during

(Continued on Page 14)

Need for IMF Funding Brings Fierce Debate

By Sharon Walsh

WASHINGTON — The International Monetary Fund has been faced with one dilemma after another as it has attempted to fulfill its role as global lender, while coming precariously close to running out of funds.

In its equally important role of financial policeman it has met resistance in the form of social and political upheaval as it imposed economic austerity measures on the countries to which it lends.

If the IMF fails in its efforts in either role, some observers said, the results could be disastrous for the U.S. economy and for the international banking system. But the range of opinion on the IMF's role in the international debt situation is wide, and its need for additional funding this year sparked fierce debate among economists and politicians.

Milton Friedman, an economist at one end of the spectrum of opinion, has written that "the IMF should be abolished, not expanded." Robert Solomon, an economist and guest scholar at the Brookings Institution, described the IMF's purpose as being "to help these [debtor] countries over the present bad patch until world recovery and, one hopes, lower interest rates permit them to get back to normal."

The condition of Brazil alone has kept the IMF, the Bank for International Settlements in Basel, private banks, the Brazilian government and the governments of industrialized countries in a state of nearly constant anxiety. For students of the IMF, Brazil has been the main example this year — as Mexico was last — of the fund's central role in helping to untangle the international debt muddle.

With foreign loans of more than $90 billion, Brazil is the world's largest and, perhaps, most troubled debtor. In February, its government agreed with the IMF to cut capital spending of state companies, cut subsidies for certain commodities and disengage the link between wages and prices in return for additional loans of more than $4 billion.

However, the fund refused to advance Brazil the second part of the loan after the country was unable to live up to the economic austerity measures. The bills kept coming due, and by mid-July Brazil found itself unable to repay a $400-million short-term credit. So it returned once again to the IMF.

In September, the IMF forged an agreement with Brazil and industrialized governments and private banks under which Brazil would receive an $11-billion package of loans to take it through the end of 1984.

And just on Nov.22 the IMF executive board voted to resume lending to Brazil. While it could still be the prime contender for spoiler in the international debt crisis, Brazil is not alone in its troubles.

The developing countries alone are in debt to the extent of more than $700 billion, with Brazil, Mexico and Argentina representing more than $200 billion of that debt. Of the 146 member countries of the IMF, 45 are being given IMF support. And at the beginning of 1983, 14 of those countries were rescheduling their debts, which usually involves spreading over a number of years the payments that were due in one year.

In the midst of all this need, the fund committed more resources than it had available, leaving it with a shortfall that was expected to be about 6 billion special drawing rights by the end of the year and causing it to request that member countries increase their quotas. (The unit of account of the fund, the SDR, is based on a basket of five currencies: the U.S. dollar, the Deutsche mark, the French franc, the yen and the pound sterling. As of nov 21, the SDR was equal to about $1.048.)

The IMF, as one international economist blithely put it, is in "a pretty sticky situation." Nor, he said, would it dig itself out overnight. The present wave of troubles is relatively young in terms of the IMF's existence since 1944, when its articles of agreement, along with those of the World Bank, were formulated in Bretton Woods, New Hampshire. Its resources, according to the charter, were to be derived from members' subscriptions and alloted to members according to their quotas in the fund.

Economists trace the problems straining the IMF's resources to the first oil shock in 1973. After the oil shock, the current-account deficits of countries not producing oil rose sharply, reaching a combined peak of $100 billion in 1981. Commercial banks at that time made low-cost loans to developing countries, loans drawn from the banks' large pool of surplus funds coming in from oil-exporting countries.

After 1979, tighter monetary policies in some of the major industrial countries meant higher interest rates, causing debtor countries to pay interest followed by massive increases in interest payments. This situation was followed by disinflation in industrial countries, which meant less demand for the exports of developing countries and increasing balance-of-payments deficits.

There are those who say the series of debt-causing problems are over. U.S. Treasury Secretary Donald T. Regan said at the annual meeting of the IMF and the World Bank in September that the "global recession is over" and that the world recovery eventually would solve the international debt problem. Yet, even if Mr. Regan is correct on the eventuality — and many economists say he is not — the IMF still must come up with the funds to meet the needs of its member nations in the short term and impose conditionality on its member borrowers. And both of those tasks are hampered by present economic and political concerns.

President Ronald Reagan, in a speech to the IMF delegates in September, called the IMF the "linchpin of the international financial system" and urged the U.S. Congress to pass legislation appropriating $8.4 billion for the fund, a one-time increase that is the U.S. part of a $33-billion addition to IMF quotas and an $18.5-billion increase in the fund's General Agreements to Borrow.

But as the IMF's Nov. 30 deadline for ratification of the quota increases by member nations approached, political delays in the U.S. contribution meant that the IMF was running out of money and the U.S. Congress out of time.

Despite Mr. Reagan's strong endorsement of the legislation, it had stumbled over two instances of partisan politics. The first issue was the request by House Speaker Thomas P. O'Neill Jr., Democrat of Massachusetts, for a letter from President Reagan to Democrats who supported the legislation. The request came after a Republican group accused the Democrats of voting for aid to communist coun-

(Continued on Page 9)

EUROMARKETS

James M. Thresher/The Washington Post

Jacques de Larosière, managing director of the IMF.

Exposure of U.S. Banks in Eastern Europe And Nonoil Developing Countries, Relative to Capital (Percentage, End Year)

	1977	1978	1979	1980	1981	1982	Value, 1982 (millions of dollars)
All Banks							
Eastern Europe	16.7	15.8	16.1	13.9	12.9	8.9	6,278
Nonoil Less Developed Countries	114.9	114.4	124.2	132.3	148.3	146.1	103,181
TOTAL	131.6	130.2	140.3	146.2	163.5	155.0	109,459
Mexico	27.4	23.4	23.0	27.6	34.3	34.5	24,377
Brazil	29.4	28.6	27.3	25.4	26.9	28.9	20,438
Nine Largest Banks:							
Eastern Europe	25.0	23.5	23.9	21.8	19.5	13.9	4,045
Nonoil Less Developed Countries	163.2	166.B	182.1	199.3	220.6	221.2	64,149
TOTAL	188.2	190.3	206.0	221.1	240.1	235.2	68,194
Mexico	32.9	30.4	29.6	37.8	44.4	44.4	12,262
Brazil	41.9	42.4	40.3	39.3	40.8	45.B	13,296

Source: *"International Debt and the Stability of the World Economy," by William R. Cline.*

True Gravity of Debt Crisis May Only Now Be Visible

(Continued From Preceding Page)

year's bank financing was "involuntary" in that the IMF made its own lending conditional on the banks providing new money.

Statistics provided by the BIS, meanwhile, show that voluntary lending by commercial banks is at a near standstill. All of the small increase recorded in the second quarter went to nonoil developing countries outside Latin America. However, Asia, which had retained its image of prosperity and relative sound financing, is also being pulled into the whirlpool of doubt, with the Philippines now in the process of rescheduling its debt.

Despite all the signs that banks are reluctant to go on lending, official forecasts project that commercial bank loans next year will cover almost half the foreign-financing requirement of the nonoil developing countries. Bank loans are projected to rise to $21 billion from this year's expected $17 billion.

Estimates of the developing countries' current-account deficit assume that those governments can maintain austerity programs that have cut imports to below the bare minimum. The growth needed to provide jobs and avert social chaos is to come from increased exports.

But if planners have got their numbers wrong, and foreign trade does not provide the needed lift, it is hard to see where the necessary extra finance will come from.

Direct investment, which the Reagan administration insists is the logical source of development finance despite the recipient countries' long-standing hostility to that source of money, is now projected to total $8 billion this year and $9 billion next year. This is $1 billion less than official agencies had been projecting in July.

The IMF, which years ago was superseded by the Euromarket as the main supplier of current-account financing for developing countries, will be hard put to pick up more slack than it is already doing.

Even with its 45 percent quota increase (lending ability) the IMF already expects it will have to borrow an additional $8 billion to $10 billion between mid-1984 to 1986 to finance members in financial distress. If the debt situation fails to improve along the lines officially forecast, the IMF will be pressed to seek more money.

The real danger is that adequate financing for the developing countries will not be available — eliminating the incentive for those countries to comply with IMF prescriptions to reform their domestic economies and to not repudiate their debt.

Larry A. Sjaastad, an economist at the University of Chicago and the Graduate Institute of International Studies in Geneva, describes the situation this way:

"The debt situation of Argentina, Brazil and Mexico is quite similar to that of the U.S. government. As a fraction of their respective gross domestic products, public-sector debt in all four countries is about the same — one-third. Moreover, gross borrowings by all four governments have, for several years, exceeded current interest on their debts; in effect, no surpluses have been needed *to* pay interest.

"The important difference, however, is that Argentina, Mexico and Brazil can no longer borrow to pay that interest, whereas the U.S. government can [albeit at high rates of interest].

"As a result, the former three less fortunate countries must increase their saving by an amount sufficient to pay that interest. Indeed, the problem that they face is similar to the one that would confront the U.S. Congress if it were compelled to turn the current *$210-billion fiscal deficit into an $80-billion surplus.*

"The sheer inability of that Congress to control its spending does not inspire confidence with respect to the probable future performance of the governments of Argentina, Brazil, Mexico and others. To expect a political feat in those countries that appears impossible for the United States is unrealistic to say the least.

"But if they fail to produce that miracle [assuming that the banks do not resume lending to them], de facto default on a large scale is inevitable."

Chances are slim that commercial banks, which are already overcommitted, will voluntarily step up their lending. Loans to the developing countries that do not produce oil total 146 percent of the capital of U.S. banks. The nine largest U.S. banks alone have loans outstanding amounting to 221 percent of their capital.

In dollar terms, these loans amount to barely 10 percent of the total assets of the nine banks. Nevertheless, repudiation or default by just Brazil could wipe out 78 percent of the capital base of Manufacturers Hanover Trust and 74 percent of Citibank's.

The major North American, European, Mideast and Japanese banks have continued to provide modest amounts of new money — under pressure from the IMF. But those exercises become increasingly difficult — as more bankers worry about throwing good money after bad loans — and are an inadequate substitute for what the borrowers need.

The need is large and, it should be pointed out, mostly due to economic fluctuations outside the control of any of the borrowers. In his study "International Debt and the Stability of the World Economy," William R. Cline, a senior fellow at the Washington-based Institute for International Economics, said that the external debt of the developing countries that do not produce oil increased $482 billion between 1973-82 to a total of $612 billion.

But he estimates that $260 billion of the increase can be attributed to the increase in oil prices since 1974. A further $41 billion resulted from the sharp rise in dollar interest rates in 1981-1982, another $21 billion from lost export volume due to the worldwide recession, and $79 billion to the drop in commodity prices and other terms of trade.

Thus, he estimates $401 billion of the $482-billion increase may be attributed to the impact of events over which the debtors had no control.

Financing those needs were relatively easy — and cheap — in the days up to mid-1982 when international bank lending, viewed as virtually riskless, was expanding at annual rates of up to 25 percent.

The challenge today is to find how to enable banks to resume lending but at the same time establishing a framework that will prevent repetition of some of the worst excesses of the years of overcompetitive lending.

One suggestion, by Nicolas Krul, economist and general manager of Gulf & Occidental Investment Co. in Geneva, is to use the IMF as a "countercyclical instrument of international credit management ... mobilizing bank credit in times of stress."

He would have the IMF borrow in the international capital markets to assure the availability of adequate financing. Banks would gladly lend to the IMF, but obviously at very fine terms given the backing of that institution. Once confidence was restored, bankers would resume lending directly *to* the countries since the rates they would pay to borrow would be significantly higher — and more profitable to the banks — than what the IMF paid.

Borrowing in the market would only temporarily increase the resources of the IMF, in line with U.S. objections to see a permanent large increase in the fund's resources. However, both the United States and West Germany object to the IMF's tapping the public market. The issue is a political one, with both coun-

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Loan Burden Threatens Latin American Stability

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suspended for reasons of noncompliance last May. The report, prepared at the request of President Osvaldo Hurtado of Ecuador, marks a departure from the normally circumspect tone of ECLA's economic studies. But *more* significant than the document's unusually frank language is its purpose — the report is being used as a working paper for a planned meeting of Latin America's heads of state that President Hurtado and others hope will culminate in a joint demand for a renegotiation on more favorable terms of the region's foreign debt.

Quietly backed by Mexico and Venezuela as well as by Ecuador, the conference could represent the first time that Latin America's governments "address the debt question head-on," said an economist acting as a consultant to the initiative. "Until now, in forums like the annual World Bank and Interamerican Development Bank meetings, the debt problem has been broached only cautiously," he said. "But it is increasingly clear that these countries cannot pay and that continued zero growth is not a viable option, either economically or politically."

The most recent planning session for the meeting was held without publicity in San José, Costa Rica, in early November, and the conference is now tentatively scheduled for mid-January in Quito, Ecuador, sources said. Planners insist that conference members will not even contemplate calling for an immediate payments moratorium. "Mexico and the other big countries won't get near anything that remotely resembles a debtors' cartel," said Gert Rosental, chief economist for ECLA's Mexico-Central America section.

But the implicit threat remains, because, as a Mexico-based financial analyst put it, "the possibility of a debtors' cartel is the only real bargaining leverage this region has." The ECLA report, while saying that Latin America has demonstrated its "determination to avoid the escape route" of a payments moratorium, noted pointedly that such a move would be "profoundly prejudicial to the international financial system," with the impact being felt "not just by Latin American countries, but by the developed nations as well."

To avert the possibility of a moratorium, the report continued, banks should grant Latin America several years relief from most interest payments, and rescheduling of both interest and principal should be stretched out over a decade or more.

Some analysts see the Hurtado initiative as just the latest symptom of the growing Latin American resentment against private foreign banks and, even more, the International Monetary Fund, which has supervised the region's ongoing debt restructuring and dictated strict budget-cutting measures as a standby loan prerequisite. One continually voiced complaint is that the IMF's fiscal formula calls for a reduction of imports coupled with an increase in nontraditional exports — yet with most of the region bound by these strictures, and world commerce still in the grip of recession, there are few customers for new export goods.

Everywhere in the region, the panorama of an economy under the IMF regimen looks essentially the same, with the gross domestic product and real wages falling, unemployment and domestic interest rates rising, and record trade surpluses swelling, the result of an unprecedented inability to afford even the most essential industrial imports. "The net effect," said Rene Villareal, Mexico's deputy minister of commerce and industry, "is to constrict both commerce and industrial growth."

Mr. Villareal, who since completing his doctoral work under Nobel prize-winning economist James Tobin of Yale, has emerged as one of the IMF's most outspoken and influential Latin American critics, said that the fund must change its criteria to encourage "economic adjustment *with* growth."

"I don't see any other alternative for this region," he said. "How are we going to repay the debt if not through exports and economic growth?"

Yet the IMF's budget-slashing precepts remain unaltered, and the number of area countries approaching the fund for loans increases monthly. "The majority of the Latin American nations are now involved in some way with the IMF, and there is a tendency for still more nations to request IMF support," said Fernando Rivera, assistant director of the Latin American Institute for Monetary Studies, which is also acting as an adviser to the organizers of the Quito conference.

This "unprecedented" situation has not only hurt intraregional trade, but bas complicated bilateral financial arrangements in the region, Mr. Rivera said. "Bolivia says it cannot pay its debt because it hasn't received money it is owed by Argentina, and Argentina says it cannot pay Bolivia or anybody else," he added. Similarly, Costa Rica, with the region's biggest per-capita foreign debt, has pointed to Nicaragua's failure to pay for Costa Rican products as a major factor in its own inability to make payments.

Earlier this month, Costa Rica became the latest country to complain that it must either reject IMF budget-cutting guidelines and run the "disastrous risk" of losing its IMF financing, or accept the fund's demands and "confront rising social agitation."

But small countries such as Costa Rica lack the clout to influence the IMF's policies, analysts said.

Much more significant, they feel, will be the inevitable next round of Brazil's negotiations with the IMF and its private creditors. Unable to stay within the fund's inflation targets and politically reluctant to heed its wage policy advice, Brazil last May had its IMF loan afgreement suddenly suspended, interrupting its parallel credit talks with private bankers.

Now, after intense IMF pressure, Brazil won a renewal of the loan pact — and fresh money commitments from most major private creditors by agreeing to restrict salary hikes below inflation levels and by designing a new "economic adjustment" program for 1984.

scheduling terms than those granted fiscally obedient Mexico.

And in neighboring Argentina, the newly elected president, Raúl Alfonsín, surprised his country's creditors by bitterly denouncing the "restricive prescriptions" of the IMF and the "usurious" demands of the foreign banks. "They can't expect to have the debt paid back if they are going to close our export markets," Mr. Alfonsín said on the night of his election.

As a corollary to the region's near-universal entanglement with the IMF, almost every Latin American country is also wrestling with an unwieldy creditors committee, often composed of representatives of 400 foreign banks or more, attempting to postpone short-term principal obligations and obtain new loans destined largely for principal payments. In the last month alone, Ecuador concluded a $1.4-billion rescheduling arrangement, Peru met with lenders to reshape an earlier $830-million debt-restructuring plan and Chile obtained a 90-month extension on its moratorium on principal while continuing the renegotiation of $3.4 billion in short-term debts.

From a world financial viewpoint, however, these smaller economies present relatively manageable banking problems.

World Organizations Study Insurance Programs

PARIS — One sure way to turn the Third World's debt crisis into a financial catastrophe for the world is to push the major debtor states into repudiating their loans. That would bankrupt the major banks of North America, Western Europe and Japan, which would be left holding worthless paper far exceeding their own capital.

At present, the incentive for debtors to walk away from their obligations is increasing.

One set of figures tells the story. Last year, net new borrowing by the nonoil developing countries totaled $57.4 billion. But interest payments totaled $59.2 billion.

In previous years, the situation was reversed. In 1981, for example, new borrowing totaled $81 billion against interest payments of $55 billion.

William R. Cline, an economist and senior fellow at the Washington-based Institute for International Economics, calls this "an underlying structural vulnerability in international lending."

"If a judgment is made solely on the basis of simple comparison of the interest burden against net new loans received, the developing countries have little incentive to continue honoring debt-servicing obligations," he said.

In short, "if they defaulted, their losses in net new loans forgone would approximately equal their gains in interest relief."

To be sure, there would be other costs as well — the risk of being isolated economically from the rest of the world.

But the point he makes illustrates why the scarcity of loans is such a critical issue.

It is perhaps worth mentioning that development historically is financed with foreign capital, as amply demonstrated by the financial history of the United States. What distinguishes the current situation is the overwhelming reliance on loans to finance development rather than foreign investment, which by its nature is risk capital.

In any event, putting aside questions about whether governments ever repay debt or just continually roll it over, it is clear that seeking repayment in the midst of a recession is not feasible.

But bank lending is contracting and the trickle of cash flowing to the most hard-pressed countries is due to the arm twisting of the International Monetary Fund, which has tied the availability of its own credits to continuing support from the banks.

Thus, the international organizations — with the World Bank in the lead — are exploring ways to increase the flow of funds.

One question under study is whether flows could be substantially augmented if better insurance were available.

National plans already exist in virtually all industrialized counties to insure investments and next month the board of the World Bank is expected to decide whether a new multilateral plan could improve the investment climate and generate greater flows.

Given the preponderance of bank loans in financial flows to developing countries, the World Bank plan, if approved, would have to include loans. Up to now, the national programs have insured only direct investments against expropriation and war, but that coverage is both limited and expensive.

The main risk today is so-called transfer risk, or the inability of sovereign governments to meet the foreign currency requirements to service their debt.

Ibrahim F.I. Shihata, vice president and general counsel of the World Bank, stresses that many basic questions — such as whether to include medium- and long-term loans in any new plan — remain. Among the others are how such a multilateral plan would be funded and whether it would need to be an independent agency or part of the World Bank.

Mr. Shihata rejected suggestions that such widened insurance coverage might incite recipient countries to be less cautious and that it might, in effect, reward countries mistreating foreign investors or lenders.

"If that were a good argument, there would be no insurance in the world," he said in a telephone interview.

Assuming the board approves the insurance concept, another major question is how such a plan would be funded. Mr. Shihata said it could be financed by the country of the investors, the investors themselves, the host countries or a combination.

Meanwhile, Henry Wallich, a governor of the Federal Reserve Board, believes that banks themselves should consider setting up an insurance pool. Given the high margins of 2 percent or more over Libor that banks are charging to reschedule loans and the criticism this is stirring, Mr. Wallich thinks banks would be well advised to use part or all of this margin as payment into an insurance pool.

He suggests that banks making "constructive" use of the margin might be able to protect themselves against pressures from borrowers to lower the lending terms.

His suggestion, at a recent meeting of the Group of 30, is that all new loans be put into a pool.

No individual loan would be insured, only limited losses of the pool.

If half the 2-percent premium were set aside as insurance premium, the plan might offer 1 percent insurance coverage the first year, 2 percent the second year and growing each year.

The object would be to insure about 75 percent of loan pool, with the other 25 percent exposure borne only by the banks as an incentive for them to remain prudent.

While be thinks such a plan is a "sensible idea," he acknowledges there are many technical obstacles to overcome such as who would administer such a pool.

Even more basic, there would have to be agreement of all participants about when a sovereign loan is a loss. Is it when debt service payments are halted?

Or only when a loan has been repudiated?

— CARL GEWIRTZ

True Gravity of World Debt Crisis

(Continued From Preceding Page)

tries objecting to the implied loss of control over the agency once it can fund itself independently.

The Bundesbank, in its September monthly report, said: "The cooperative nature of the IMF could suffer lasting damage and the precarious balance of rights and duties among its members be seriously upset if the fund were no longer dependent for its refinancing on countries in strong reserve and balance-of-payments positons."

Some experts, such as Alexandre Swoboda, director of the Geneva-based International Center for Monetary and Banking Studies, said there is no chance of resolving the financial crisis of the developing countries as long as banks pretend they will incur no losses as a result of their overlending.

Mr. Swoboda believes much of the investments made with the borrowed funds "have gone sour, or the collateral is not worth what people thought it would be worth — partly because of the higher level of real interest rates, partly because of the fall in the terms of trade of the developing countries, partly because of the recession, partly because of mismanagement in a number of the developing countries and partly because some people have just made off with the money [capital flight]."

Mr. Swoboda said that when this happens to domestic loans to corporate clients, the borrower goes bankrupt, or sells off assets and slims down, or agrees with its lenders to share the costs to restructure the debt (sometimes with the government stepping in, as in the case of Chrysler).

But in the current international context, the entire cost of the devalued asset is being borne by developing countries. He does not argue that they should not have to pay it — after all, they did borrow it. But he does insist they cannot afford to and at some point banks will have to admit this.

"Rescheduling at rates that value the assets as unchanged cannot go on forever," he said.

The problem, he said, is deciding how to apportion the losses "without giving distorted incentives to banks to lend too much and without creating the sort of panic where [bank] lending evaporates."

Both Mr. Swoboda and Mr. Krul also argue that the banks' existing portfolio of Third World debt needs to be made liquid — much like other assets banks hold.

Banks may hold enormous positions in domestic bonds, for example, which could drop sharply in value if interest rates rise. In that case, banks do not pull out of the bond market waiting for a recovery in prices but write down their losses and upgrade their portfolio by moving into the new, higher yielding issues.

Mr. Krul said: "The main systemic problem facing the international financial markets stems ... from the excessive substitution of classic security borrowing by bank credits — a form of financing deprived of a self-stabilizing secondary market. ...

"A special international Lombard or discounting mechanism, to be reverted to in times of stress ... could be conceived so as to discount bank debt and other public or private liabilities of developing countries at market-related terms against the issuance of certificates [by the World Bank or the IMF], which, in turn, would be discountable at central banks. ..."

The mere existence of such a facility, he said, "might encourage increased private credit flows and longer maturities."

Need for IMF Funding Brings Fierce Debate

(Continued From Page 7)

tries. The Democrats had voted against an amendment to the IMF bill that would have stopped IMF funds from going to communist countries.

After Mr. Reagan yielded to the pressure and expressed his appreciation in a letter to the Democrats, a second issue held up the bill. Representative Fernand St Germain, Democrat of Rhode Island and chairman of the House Banking Committee, refused to move the House version of the bill along until the administration withdrew its opposition to a housing bill that he supported.

The final compromise bill, approved by Congress only hours before it adjourned, included requirements that U.S. banks set aside special loan loss reserves when foreign borrowers fall behind on payments and that banking regulators monitor those loans more closely.

(Because of the delays in Congress, administration sources and economists suspected that other IMF member countries hung back from agreeing to their quota increases, waiting to be assured of the U.S. contribution.

The congressional deadlock also gave opponents of increased IMF funding time to repeat their arguments that it was a bailout for banks that had made ill-advised loans to developing countries and that the one-time addition to the fund did not guarantee that the debt problem would not recur.

No one denies that banks could take a beating should any of the debtor countries decide to delay or default on their debt payments.

While the IMF made record amounts available for borrowing this year, it was still only 20 percent of the current-account deficits of developing countries, leaving them to rely on private banks for a large percentage of their other borrowing needs.

If Brazil declared a moratorium, meaning a specified time for which it would not make debt payments, one-half of the reported profits of the nine largest U.S. banks would be eliminated, according to William R. Cline, senior fellow at the Institute for International Economics in Washington. That would precipitate runs on the banks, he said. "I suspect the Fed would step in," he said. "It would not, in most cases, exhaust profits and eat into capital, but it would be a severe blow to the economy."

While, in Mr. Cline's opinion, there is considerably less than a 50-percent chance that Brazil will declare a moratorium on its debt, economists differ widely on the question. Some say a moratorium is "inevitable," while others rate it "highly unlikely."

With its agreement to resume lending to Brazil, the IMF signaled its approval of the country's plan to lower inflation, cut its deficit and increase exports. The austerity program the fund demands as a condition for its loans makes it unique among international financial institutions.

Brazil has had trouble living up to the IMF's conditions in the past. When Brazilian workers held strikes in São Paulo earlier in the year protesting unemployment and the deindexation of wages, Brazil began stalling on the IMF's conditions. Only after several attempts to pass legislation to deindex wages, including one during which President João Baptista Figueiredo declared a limited state of emergency to "avoid tumult during the congressional vote," was the Brazilian Congress successful in passing a compromise measure.

Harry Taylor, president of Manufacturers Hanover Trust, said at a press conference that refinancing for both Brazil and Argentina should be completed by the end of the year, since the passage of the Brazilian wage law and the elections in Argentina removed hindrances to the process.

In spite of the banker's optimism, economic analysts are quick to remind that the emergency loan package will only tide that country over for a year. And some say that the economic austerity measures required of Brazil for the loan will only serve to push Brazil deeper into debt.

The consequences of the fund's so called "conditionality," opponents said, are counterproductive because restraints on imports mean that the country cannot get vital parts needed for goods it exports, therefore slowing economic growth.

At a September press conference in Washington, Jacques de Larosière, managing director of the IMF, firmly stated the fund's position on conditionality: "A country that is in balance-of-payments difficulty, and that can no longer find outside credit, has no choice but to reduce its domestic consumption and its imports. It has no other choice."

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EUROMARKETS

Intransigence Over Budget Policy in U.S. Raises Fears That Economic Expansion Will Be Shortlived

By Randell E. Moore

WASHINGTON — While the United States, and to a lesser extent its major European trading partners, are experiencing economic recoveries, hopes for any immediate change in U.S. fiscal policy to reduce projected budget deficits exceeding $200 billion have all but disappeared. As a result, there are increasing fears that economic expansion, both in the United States and Europe, may not be sustained.

President Ronald Reagan's chief economic adviser, Martin Feldstein, has warned that unless Congress acts soon to reduce these deficits, it runs the risk of plunging the U.S. economy back into recession. European leaders, painfully aware of the effects of these deficits on their economies, have urged U.S. action.

However, there is little evidence that America's politicians are willing to risk the wrath of voters prior to next year's elections by raising taxes or cutting spending to bring the deficits down.

A recent attempt by Senator Robert J. Dole, Republican of Kansas and chairman of the Senate Finance Committee, to push a package containing a combination of tax hikes and spending cuts totaling about $150 billion over three years drew little congressional support and the threat of a presidential veto.

Internal bickering within the Reagan administration over the size and effects of the budget deficits has compounded the problem of those who advocate immediate action.

At the heart of the problem are projections by the Congressional Budget Office, private forecasters and the administration's own Council of Economic Advisers that U.S. budget deficits in 1984 through 1988 will exceed $200 billion each year. Combined with the $195-billion deficit registered in fiscal 1983, these deficits would result in almost a doubling of the national debt by 1988. Interest payments alone to service such a massive debt would amount to $80 billion, CEA economists estimate.

The prospects for record-setting deficits have not been completely lost on Congress. The recent battle over a congressional increase in the current national debt ceiling of $1.389 trillion, which left credit markets nervous and the government near technical bankruptcy, reflected the anguish of those who advocate some kind of action to reduce the deficits. However, it should be noted that many of the same legislators who refused to support the increase are the first to fight an increase in taxes or cuts in spending designed to reduce the deficits. Therein lies the dilemma. Either action is considered political suicide in an election year, 1984 being no exception.

Politics aside, however, the negative ramifications of these deficits are both domestic and international.

A substantial portion of the current U.S. recovery is due to large increases in consumer spending. Encouraged by lower interest rates and declines in unemployment, consumers who had delayed purchases of major durable goods such as automobiles went on a buying spree this spring. Personal consumption expenditures during the second quarter of 1983 rose at a robust annual rate of 15.1 percent as a result. Auto sales alone jumped from an annual rate of 7.8 million units in the third quarter of 1982 to 9.3 million during the corresponding 1983 period. The housing industry also experienced a boom, with new housing starts at an annualized rate of 1.79 million units during the third quarter, the lowest since the days of the Korean War. It was only marginally higher during the third quarter.

While economic growth appears to be slowing somewhat in the early days of the fourth quarter, it remains strong enough in the minds of most economists to carry expansion into at least the first few quarters of 1984. However, beyond that point, analysts worry that the large budget deficits will begin to play an increasingly detrimental role.

To sustain the economic expansion, slowing personal consumption must be supplemented by increased capital spending by industry, analysts said. Persistently large budget deficits may prevent this, economists noted.

Mr. Feldstein, among others, said that unless the deficits are reduced, and soon, a clash between the borrowing needs of business and government will result. The effects: a crowding out of available funds for business and higher real interest rates. Businesses will not only have to scramble to find funds for new plant and equipment expenditures, but also will invest only where the expected returns profitably exceed the high cost of needed funds.

"The primary economic effect of persistent budget deficits is to absorb savings, reducing the long-term growth rate of capital formation and, therefore, the rate of real economic growth," Mr. Feldstein told the Joint Economic Committee in Congress.

"The near-term deficits [those in 1983 and 1984] probably have a positive impact on the pace of recovery," by spurring demand for goods and services, he said.

However, the prospect of massive deficits in future years "weakens the pace of the recovery now" by raising real interest rates, according to Mr. Feldstein. Those current high rates have had at least two negative repercussions on the current recovery.

First, high real interest rates have played a major role in propelling the U.S. dollar to historically high levels. The dollar appreciated more than 40 percent in real terms from the fourth quarter of 1980 to September of 1983 against a weighted average of the currencies of other major industrial countries. Henry Wallich, a member of the Federal Reserve Board, said in a recent speech, that as a result, U.S. firms have found it increasingly difficult to sell their goods abroad. A strong dollar also has made imported goods less expensive, relative to their U.S. counterparts. Combined, the consequence is a U.S. merchandise trade deficit that is expected to total a record $75 billion in 1983, climbing to $100 billion in 1984. Emblematic of this problem, America's national trade surplus with the European Community disappeared during the fist nine months of 1983, becoming a deficit.

In addition, high U.S. interest rates have attracted funds from Europe and elsewhere, limiting the amount of available funds needed for capital spending to fuel a sustained international economic expansion. To curtail this outflow of funds, other Western countries complain that they have been forced to keep their own interest rates high, a further drag on their struggling economies.

Secondly, the current high level of interest rates "is no doubt also causing the demand for housing, for some consumer durables, and for some plant and equipment to be lower now than it otherwise would be," according to Mr. Feldstein.

Despite Mr. Feldstein's protestations, key players within the Reagan administration remain unconvinced of his argument. Most notable among them is Treasury Secretary Donald Regan. Unlike Mr. Feldstein, Mr. Regan believes that the deficits are not a key factor in keeping interest rates high and that, in any case, the deficit is primarily "cyclical" in nature and will shrink as the recovery continues. Recently, Mr. Regan was quoted as saying that the recovery would reduce the deficit to between $100 billion to $125 billion in 1985.

To further reduce deficits, Mr. Regan advocated additional large cuts in federal outlays, primarily in social programs, and a "contingency tax" increase that would take effect in 1985 if deficits still exceeded some fixed proportion of gross national product. Such a "contingency tax" was proposed by the Reagan administration in its January budget proposal but won little support on Capitol Hill, the seat of the U.S. Congress, and is not being aggressively pushed by the administration now.

While Mr. Feldstein agrees with Mr. Regan that part of the deficit is cyclical — the portion caused by remnants of the recession — another equally large part is structural in nature, Mr. Feldstein said. This structural deficit is represented by the difference between federal revenues and outlays when the last of the recession's effects are past and the economy has returned to full employment. Based on CEA estimates, future federal spending will grow faster than the future rise in tax revenues, leaving deficits in the $200-billion range even at full employment.

This split in opinion between Mr. Feldstein and Mr. Regan became so acute at one time that the White House instituted a review process under which both men were forced to submit their speeches to administration officials.

In fact, Mr. Feldstein's intransigence on the need for tax increases has led to speculation that White House insiders would not be unhappy if he chose to leave the administration.

Any hope that Mr. Feldstein's arguments might at last gain favor at the White House seemed crushed by the news that the U.S. unemployment rate in October fell a full 0.5 percent to 8.7 percent, its lowest level in 20 months. Administration officials were quick to claim credit for this decline from the recession peak of 10.8 percent in January.

Democrats, their political aspirations stung by the strength of the recovery, have attacked the president on budget deficits. Citing Mr. Reagan's campaign promises of a balanced budget in 1984, Democrats have launched an offensive against the president, calling him the "biggest budget buster" of all time. However, they have been unable to produce budget proposals that satisfy those in their own ranks, much less enough Republicans, to win passage. In general, the Democrats have advocated cuts in defense expenditures to reduce federal outlays and increased personal taxes and the closing of tax loopholes to increase federal revenues.

This lack of agreement, both within and between parties, combined with the impending elections, has produced a stalemate that most analysts believe will remain until the November 1984 elections. Even then, congressional action on budget deficits probably will have to wait until the spring of 1985 to take into account the election results.

Thus, with no expected help from Congress or the administration, experts warn that the Federal Reserve will once again be stuck with the delicate task of keeping the recovery alive. In general, economists have been surprised by the strength of the recovery in the face of historically high real interest rates.

However, to keep expansion alive, many said that the Fed may be tempted to allow a more rapid expansion of the money supply to help finance the deficit and bring interest rates down.

Ironically, fear on the part of financial markets that the Fed will buckle under to political pressure and "monetize" the debt in this fashion is helping to keep real interest rates high.

Paul A. Volcker, the chairman of the Federal Reserve Board, repeatedly has stated that monetary expansion to help finance large budget deficits is "basically unwarranted." However, financial markets remain uncertain of the Fed's intentions.

Currently, money supply growth remains within the Fed's target ranges. So, too, is inflation. How long this will last is subject to debate.

Rapid deregulation of the U.S. financial community has made it more difficult for the Fed to gauge monetary growth. In addition, few expect inflation to remain at its current low levels. As a result, the Fed's task is made even more difficult.

The only certainty, if any exists in the face of these problems, was probably best summed up by Mr. Feldstein's recent remarks before a congressional panel on the need for action on budget deficits. "Every year gets riskier and riskier," he said.

U.S. Banking Deregulation: Answer to Enduring Crisis?

By Craig Stock

PHILADELPHIA — Not since the Great Depression in the 1930s has the banking industry in the United States seen the turmoil it experienced in 1983.

Bank failures occurred at the fastest pace since the 1930s. The U.S. comptroller of the currency, C. Todd Conover, predicts that the number of bank failures would reach 50 by the end of this year. Among the 43 banks that had failed through October was the First National Bank of Midland (Texas), which, with assets of $1.2 billion, was the second largest bank ever to collapse in the United States.

A record number of other banks — more than 600 — were financially weak enough to make the regulators' "problem bank" list, indicating that regulators think the banks could fail without quick corrective action.

An international debt crisis shook confidence in the nation's largest banks, which, because of the frantic action of the IMF, were able to avoid the devastating step of classifying billions of dollars in overseas loans as delinquent. By lending more money to nations that could not repay old loans, the banks were able to collect loan fees and show income instead of loan losses.

But the development during the year with the most lasting effect on the industry was the continued assault on the laws and regulations that have governed banking in the United States for the last half century. U.S. banks operate under what are among the tightest restrictions in all the major industrialized nations. Leading the assault on those restrictions have been the bankers themselves, particularly large "money center" banks that are clamoring for a full-scale, sweeping deregulation of banking.

Bankers have been pushing the U.S. Congress to remove legal barriers that have kept banks and other types of businesses strictly separate for the last 50 years and that have restricted locations where banks could do business.

Despite rapid advances in technology that allow banking transactions to be done electronically anywhere on the globe in seconds, most U.S. banks are not allowed to take deposits from customers in neighboring states. The banks said they must expand their opportunities to meet the competitive challenge of nonbanking financial services companies — insurance companies and brokerage houses especially — that have been moving onto the banks' turf.

"This has aroused an industry that not so many years back was rather content to play a traditional role," said Fritz Elmendorf, an official of the American Bankers Association, which represents the nation's commercial banks. "It's been only recently that banks have become this aggressive in testing frontiers. To some real extent it was prompted by the aggressiveness of the nonbanks."

Among the banking rules that have come under attack — either directly by changes in the laws or indirectly by legal maneuvers — were:

- Restrictions on the interest rates banks could pay on deposits.
- Laws limiting a bank to deposit-taking in only one of the 50 states.
- Laws aimed at keeping banking companies out of the underwriting of stocks and bonds or of insurance.
- Bans on the ownership of banks by nonbanking companies.

In one important area, deregulation became nearly complete during the year. Federal restrictions on the interest rates banks could pay on most deposits were abolished.

For many years, bankers were happy with the low limits on interest that could be paid to savers. But after investors, spurred by higher inflation and interest rates in the 1970s, began withdrawing billions of dollars from banks and putting it into money market mutual funds and other investments, banks began to clamor for the ability to pay higher, competitive rates.

In part, the chaotic state of banking regulation and deregulation is the result of the very structure of the nation's banking system. That system is a sprawling and diverse mixture of commercial banks, which traditionally have been the financiers of business and industry, and savings, or thrift, institutions, which traditionally have taken in the savings of individual Americans and loaned them out in the form of mortgages.

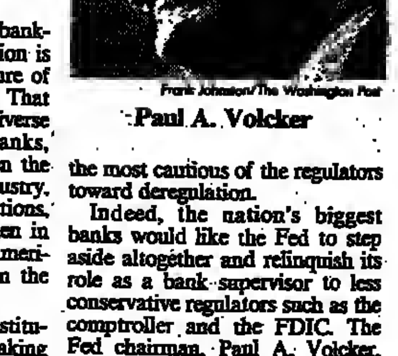
Until recently, savings institutions were prohibited from making commercial loans or from offering short-term loans to individuals.

There are about 14,000 commercial banks in the United States and about 4,250 savings and loans associations and savings banks. These institutions are governed by a dual system of laws enacted by both the federal government and each of the 50 states.

The dual system is split even further on the federal level, where the responsibility of overseeing banking companies is shared among different agencies. The Federal Reserve Board regulates commercial bank holding companies; the Federal Deposit Insurance Corp. regulates commercial banks and savings banks; the Federal Home Loan Bank Board is in charge of federally chartered savings and loan associations, most of which are small institutions that are largely in the business of financing housing for individuals.

Each regulator takes a different approach to its job and to deregulation. The result is that some banks have "shopped" for the most lenient regulator, playing one agency off against another to get the most advantageous rulings.

Banks with charters from the federal government have switched their charters to states in order to be under the oversight of the FDIC rather than the Federal Reserve Board, which generally has been the most cautious of the regulators toward deregulation.



Frank Johnson/The Washington Post

Paul A. Volcker

Indeed, the nation's biggest banks would like the Fed to step aside altogether and relinquish its role as a bank supervisor to less conservative regulators such as the comptroller and the FDIC. The Fed chairman, Paul A. Volcker, thus far has rejected such suggestions.

The divisiveness among the regulators is magnified in Congress, where lawmakers get differing opinions on deregulation from big banks, small banks, savings and loans associations, brokerage houses and mutual funds and consumer groups. This discordant chorus of advice and opinions means that little is likely to be done soon to settle the matter of banking deregulation, said Senator John Heinz, Republican of Pittsburgh and a key member of the Banking Committee, which will have to approve any new banking legislation in the U.S. Senate.

"No significant revisions will be enacted without broad consensus as to what should be done," Mr. Heinz said in a recent interview. Mr. Elmendorf said that deregulation is a tough issue for Congress because "it deals with rather arcane financial issues that the public doesn't really care about or hasn't expressed an interest in." "By its very nature it creates difficult choices for politicians that they'd rather not have to deal with," he said.

Uncertainty about what sort of financial deregulation, if any, will happen makes planning difficult, according to executives of financial companies.

EUROMARKETS

Oil Revenue Drop May Leave Scars on Gulf Banking System

By Brij Khindaria

GENEVA — The drying of surplus funds because of falling oil revenue and economic recession have put a temporary brake on the banking and investment boom in the Arab Gulf states.

Consequently, future prospects, although still healthy, no longer offer the excitement of past years.

Most domestic Arab banks and investment companies are less than a decade old and many of the international banks moved in after 1975. The spectacular growth of Bahrain's offshore banking facilities, which remain the most vigorous banking presence in the area, also happened after 1977. But growth prospects have already slowed down.

While much of the blame lies with economic troubles, some must be laid on bottlenecks in local investment programs and lack of skilled financial management.

The Arabs bought the best Western financial and investment advice available, but only time could change the conservative mentalities of the investors themselves. The changes are only just becoming visible as investors enter higher risk venture capital placements.

But a large body of investors, perhaps most of them, are inflexible in their Moslem beliefs and would rather forego interest incomes than compromise their religious beliefs.

The full impact of this body of savers and investors has not yet been felt because enough public money and cash from rich individuals was available to keep existing banks busy.

But falling oil wealth and sharp budget cutbacks by governments are bringing a wave of change that will leave lasting scars on the banking system even if oil earnings rise again soon.

According to the laws laid down by Mohammed no good Moslem is allowed to accept interest income on his money. As applied today this has a good side as well as a less laudable one.

The good side is that a new style of banking has emerged, loosely called Islamic banking, where depositers give money on trust to the bank that invests it in profit-sharing projects rather than interest-bearing instruments. Depositors do not expect fixed rates of return and do not complain even if there is no return.

Yet Islamic banks — although still only a handful — have been surprisingly successful. Some claim to have returned at least 20 percent annually on deposits. They now have strong growth plans in countries with large Islamic populations after less than five years of activity on average.

Perhaps the best-known example of such a bank is the Geneva-based Dar al-Maal al-Islami (DMI) whose chairman is Prince Mohammed al-Faisal, second son of the late King Faisal of Saudi Arabia. Its equity participation certificates, which opened at $105 in late 1981, are now being traded at around $140 in Gulf markets.

Although its main business is in Saudi Arabia, it is quickly expanding through representative offices in other Gulf states and Islamic countries in Asia. It also expects to open offices in the United States and become a licensed deposit taker in Britain.

It has an authorized capital of $1 billion; which is being offered in tranches.

The fastest growing Islamic bank appears to be the Kuwait Finance House created by three government ministries and the public in 1977. Its assets burgeoned by nearly one-half during the last 14 months and now stand at nearly $3 billion.

Bankers say finding depositors, even rich ones, in the devout Islamic countries is no problem. "They seek us out when they learn that they can be sure that their money will be invested strictly according to Islamic laws," said an executive who has advised three such banks. "But the problem is finding Islamic ways of investing such large sums of money," he added.

The problem arises because most Islamic countries are poor and have badly organized stock markets, or none at all. Locating borrowers is easy, but helping them to make profits that could provide the lenders with an income is difficult because of the backwardness of the economies in which they function.

At the same time, local commercial banks do not look kindly on such "Islamic banking." The less laudable aspect of the concept is that it goes so much against the grain of non-Islamic bankers as to make cooperation difficult.

Even the Saudi Arabian Monetary Authority (SAMA), which controls about $30 billion of its country's reserves, is reported to be wary of Islamic banking.

The Ministry of Finance allowed the Al Rajhi Company for Currency Exchange & Commerce to become the country's first Islamic bank in June 1983 after several years of soul-searching, reportedly to avoid later public criticism of the SAMA, which invests its funds in exchange for interest income.

The Al Rajhi bank, when it becomes operational in 1984, is likely to become the banker of the masses while other non-Islamic commercial banks handle the modern economy.

Commercial banks in all Gulf states face leaner pickings than in the past. Consequently, a race is quickly developing for rich clients and banks are improving their portfolio management and customer relation services.

Most banks expanded rapidly in the late 1970s as every state heavily emphasized public spending. Governments spent not only on welfare but on bolstering private enterprise and creating the basic infrastructures needed to bring Arab economies into the last quarter of the 20th century after agelong isolation and decay.

But every state has now sharply pruned budgets. Even Saudi Arabia is being forced to draw down at least $10 billion from its reserves to make both ends meet and the Finance Ministry has instructed all departments to spend only 75 percent of their allocations this year.

Most bankers detect a trend toward medium and longer term investment by Arab customers in contrast with recent years, when they sought mainly high interest fiduciary deposits and floating rate notes.

Arab banks also seem less eager to enter lending consortia because they feel they have gained enough reputation to strike out a little more on their own.

For their part, the offshore foreign banks in Bahrain face a plateau in business mainly because of cuts in spending by the Saudi and other governments. The Saudis have also recently taken new measures to encourage participation by domestic banks in riyal offerings limiting the role of foreign banks, in some cases offshore banks have raised only the foreign currency portions of multicurrency requirements. Some aggravation has also been caused by more vigorous collection by the Saudis of withholding tax on foreign bank earnings.

Panama Banking Collapse Causes Concern Over Supervision

By David Vidal

WASHINGTON — The recent collapse of a private Venezuelan bank in Panama's offshore banking center has sustained concern among U.S. federal banking regulators that banking supervision there is inadequate.

In a reflection of this concern, the comptroller of the currency has denied a license to a South American bank chartered in Panama that sought to begin operations in the United States. This is a result of the inability of U.S. and Panamanian regulators to reach agreement on how supervisors in the United States might examine banks in Panama without violating Panamanian secrecy or other laws.

While no specific U.S. action has grown out of the failure of Banco de Ultramar, U.S. officials and experts concerned with international banking and offshore activities in particular, express a subdued caution on the subject of Panama.

"It's a nervous tread right now," said a private banking expert with clients in Panama.

At the Federal Reserve Bank, a knowledgeable official said Panama was not on "any sort of emergency list or anything." But, he added, "they have a National Banking Commission down there whose supervision is not very good or adequate, and that is something neither we nor supervisors are happy about."

An official who deals in international matters for the comptroller of the currency said: "If we perceived there was inadequate supervision, we would decline permission for a bank to operate in the United States, and we have done that recently."

Sources in the U.S. Congress connected to the Banking, Finance and Urban Affairs Committee said that there was no particular action being contemplated.

Officials of the Fed, as the U.S. Federal Reserve Bank is called, and the Office of the Comptroller of the Currency said, however, that they continue to "proselytize" Panamanian authorities about the problems that banking under "flags of convenience" can cause. Both agencies share responsibility for supervision of U.S. international banking.

Federal bank authorities traditionally supervise U.S. banks on a consolidated basis, so that all branches, subsidiaries and affiliates are reviewed. Similarly, agencies or branches of foreign banks in the United States must be chartered and supervised either by the state banking authority or the comptroller. Foreign banks operate in the United States within the same regulatory and supervisory framework as U.S. banks.

While "remote" examinations of a bank's books are carried out, regulatory authorities prefer to conduct on-site examinations, and this currently is done with a number of offshore centers. Annually, more than 100 U.S. bank examiners travel to more than 20 countries to conduct "prudential" examinations of U.S. banks' offshore activities.

But Panama is not included.

"We used to go down five or six years ago, before their desire to go more secret," one regulator said. "We had agreed to joint examinations, but they then realized that they lacked authority to do them and they figured, we shouldn't be in there if we couldn't be."

About one-third of Panama's offshore banks are of South American origin and more than half the overall total come from North and South America. Total assets of the banking center in Panama rose to $49 billion in December 1982, up from $46.3 billion a year earlier, according to the U.S. State Department. The number of banking licenses issued rose to 130 in early 1983, and seven banks began operations during 1982. Eight more have received licenses but have not yet begun operations.

Offshore banking operations are exempt from Panamanian income tax and transactions conducted from an office in Panama, but consummated or having an effect abroad, also are nontaxable.

The laws to create an international banking center were passed in 1970. Before it was in effect, 241 "banks" operated out of Panama, but after its approval 20 were left, Panamanian authorities said.

The National Banking Commission was created as a quasi-independent agency under the Planning Ministry and as the cornerstone of the banking supervision system. With three members from the public sector and three from the private banking sector, it supervises banks, issues licenses and promulgates regulations.

The law does not allow "registry" banks — those that function in name only — and forbids any corporation from using the word "bank" in its title without a banking license.

3 Kuwait Giants Return to European Investment

By Timothy McGirk and Eva Dadrian

LONDON — Kuwait's three biggest financial powerhouses, though still badly shaken by the *souk al-manakh* stock market crash, are coming back hesitantly in the Euromarkets.

The three, — the Kuwait Investment Co. (KIC), the Kuwait Foreign Trading, Contracting and Investment Co. (KFTCIC) and the Kuwait International Investment Co. (KIIC) — are owned by the government together with Kuwait's merchant elite and form the powerful investment arm of the Kuwaiti Ministry of Finance and Planning.

When a Kuwaiti dinar floating rate note (FRN) for 5 million dinars was launched last June, managed by the three, it was seen as the finance ministry's attempt to gauge the damage to Kuwait's financial reputation after the crash in 1982. The government still is deciding how to cover more than $30 billion in bad debts.

The differences between the investment companies are slight. All are run as Western investment banks, although KFTCIC handles more trade and domestic contracting than do the other two. KIC gears its investment more toward the domestic market and real estate, and KIIC is oriented toward pure foreign investment.

KIIC was originally set up in 1974 as a private company by leading Kuwaiti businessmen and several commercially minded members of the royal family. Today, the government owns 20 percent of it and 78 percent of KIC. KFTCIC is 90-percent owned by the finance ministry.

Although Kuwait's foreign reserves are smaller than Saudi Arabia's, the al-Sabah royal family has proved adept at diversifying oil income into foreign investment — mostly through the KIC, KFTCIC and the KIIC.

At the time, some bankers believed that the floating rate note issue came too soon after the *souk* crash, and instead of helping to restore confidence, it would result in a weaker dinar and accelerate the drain of capital.

The FRN issue offered: Interest on the seven-year issue at ¼ percent above Kibor — the six-month Kuwaiti interbank offered rate. Managers and underwriters earned a ¾ percent commission. Issued by the United Bank of Kuwait in London, it was the first time that the Kuwaiti dinar bond market was open to banks outside Kuwait.

The June issue seemed to be the parting shot of Abdul-Latif Yousef al-Hamad, the finance minister who resigned in August because of differences with the National Assembly over how to deal with the stock market debtors. Mr. al-Hamad, who gained international respect as director-general of the Kuwait Fund for Arab Economic Development, argued that stiff measures were needed. All bankruptcies needed to be publicly declared, according to Mr. al-Hamad. But the National Assembly thought otherwise, believing it was better to write off the debts than drag out the affair.

Some bankers claim that Mr. al-Hamad's decision to test the market with a FRN issue was safer than relying on other financial instruments. The fall in oil prices and the repercussions from the *souk* have weakened Kuwaiti bank rates by 5 percent over the past year. One Gulf investment banker based in London said: "A floating rate note should enable the Kuwaitis to ride out any short-term currency fluctuations."

The combined weight of the KIC, the KFTCIC and the KIIC behind the issue seems to have paid off. Dealers report that the 5 million Kuwaiti dinar issue — the first of any kind on the Kuwaiti dinar market for more than a year — has been successful.

"The Kuwaiti dinar is a strong currency. The time was right to show that to the market," said a U.S. broker in London.

The KFTCIC, of the three units, has pursued the most aggressive investment policy. Although it cannot match the resources of Arab commercial banks (KFTCIC ranked 143rd in the Euromoney 500, with an equity value of $426.3 million), it rated among the top five Arab lead managers of syndicated loans for the first six months of 1983. It lead-managed 18 loans from January to June 1, amounting to $213.7 million. KFTCIC also is an active participant in the bond market. In 1982, it managed 32 bond issues, mainly in Kuwaiti dinars and dollar denominations.

As one of the oldest Arab investment companies — KFTCIC was formed in 1964, long before the oil price boom, it set the foreign investment pattern that other large Arab oil producers were to follow. KFTCIC and the two smaller units picked U.S. government securities as their first choice, followed by stocks and bonds in large U.S. corporations. The pattern still holds; Of the estimated $78 billion of Arab investment in the United States, around $44 billion are funneled into government securities, $16 billion into top-rated U.S.-based multinationals. Another $11 billion is in commercial bank deposits. The remainder goes into buying real estate and such corporations as Santa Fe International, a petroleum company Kuwait bought for $2.5 billion.

Kuwait and the other major holders of petrodollars then decided to diversify into Japan, West Germany and Switzerland, keeping the same mix of government and corporate paper in their portfolio. A major shift from the United States occurred after the Carter administration froze Iranian assets.

So far, all Arab oil states, with the exception of Iraq, which is at war with Iran, have decided to scale down domestic development rather than dig too deeply into foreign investment. KFTCIC, KIC and KIIC (which rank 172 and 350 respectively in the Euromoney 500), according to Middle Eastern bankers in London, also have maintained their high lending rate to Arab countries.

EUROMARKETS

Conservative Policies Drawing Criticism, Praise at World Bank

By John M. Berry

WASHINGTON — The World Bank has a record in these financially troubled times that must leave many international lenders green with envy: It is consistently profitable, it has never had a borrower default, arrearages on loan payments are insignificant, and it has never rescheduled payments on a loan.

The conservative philosophy underlying that record also generates complaints from time to time that the bank — formally the International Bank for Reconstruction and Development (IBRD) — does too little to aid developing nations, given its resources.

For instance, the Overseas Development Council, a U.S. nonprofit group beaded by a former World Bank president, Robert S. McNamara, urged earlier this year that the bank try both to increase its resources and to use what it has more aggressively.

In introducing the council's annual analysis of aid and other resource flows, Mr. McNamara said: "There is an immediate, urgent need for a more systematic mechanism to cope with the debt crises of developing countries. This must include a lender of last resort and sharply increased resources available to the International Monetary Fund, the World Bank and the regional development banks."

Specifically, the report suggested speeding up the next general increase in World Bank capital, now scheduled for fiscal 1987. It added, "The IBRD could also increase its lending capacity by altering its gearing ratio — the ratio of exposure outstanding to total capital, including callable and paid-in capital.

"Currently, the IBRD's charter limits its exposure to an extremely conservative 1:1 ratio to total capital. Commercial banks may risk an exposure of 25:1 or more of their capital base," the analysis continued. "As the IBRD has gained in resources, experience and reputation, it can consider a more expansive policy.

"Raising the gearing ratio would permit the IBRD to borrow more heavily in private markets without having to ask donor governments for large budgetary appropriations or fully offsetting callable capital guarantees. ... The expansion of the gearing ratio could be gradual, rising slowly to a still conservative 2:1."

The Independent Commission on International Development Issues — the Brandt Commission — also recommended doubling the ratio in its 1980 report.

There are two big stumbling blocks to implementing any such proposal, according to officials at the bank.

First, the 1:1 ratio of loan disbursements to paid-in and callable capital is part of the IBRD's Articles of Agreement, and any change would require amending them.

Second, the investors who currently have lent the bank about $40 billion have done so relying on the virtual total protection of that 1:1 ratio. Even the Overseas Development Council acknowledges that changing the ratio might lead to suits by present bondholders. And World Bank officials fear their borrowing costs, which are virtually the same as those of the federal government for bond issues floated in the United States, would rise.

"Even if changing the gearing ration were desirable," says s World Bank spokesman, Sheldon Rappaport, "it is doubtful that the major industrial countries would approve it. The various shareholders (the 144 countries owning stock in the IBRD) are aware that investors in their countries have bought bonds with that 1:1 gearing ratio in mind.

"Also, the shareholders have paid in only about 7.5 percent of their capital. The rest is a commitment to pay off if needed, and they want to make sure the bank is managed conservatively enough that they will never have to pay in the additional capital," Mr. Rappaport said.

"If we departed from that 1:1 ratio, I suspect the financial markets would frown on that, and we would end up having to borrow at higher rates. Since we are an intermediary — we tack on one-half a percent and on-lend the money — that would raise the cost to our borrowers," he added.

The whole idea is such a remote possibility, Mr. Rappaport said, that "within the Bank, I haven't heard developing countries or industrial countries recommend it."

Meanwhile, the IBRD continues to try to achieve greater leveraging of its resources in other ways, including a process of co-financing with commerical banks and closer ties with export financing agencies in industrial nations.

However, the push for co-financing is not new, and in the current debt crisis many smaller banks that have been lenders to developing nations in the past are getting out of the business as fast as they can.

In the IBRD's 1983 fiscal year, which ended last June 30, there were 88 projects with co-financing. The projects' total costs were estimated at $21 billion, with the bank putting up $3.2 billion and the International Development Association, the bank affiliated soft-loan arm, another $1.1 billion.

That $4.3 billion was augmented by $5.7 billion worth of co-financing, with $1.8 billion coming from various official sources such as regional development banks, $2.9 billion in the form of export credits and another $1 billion from private entities including commercial banks.

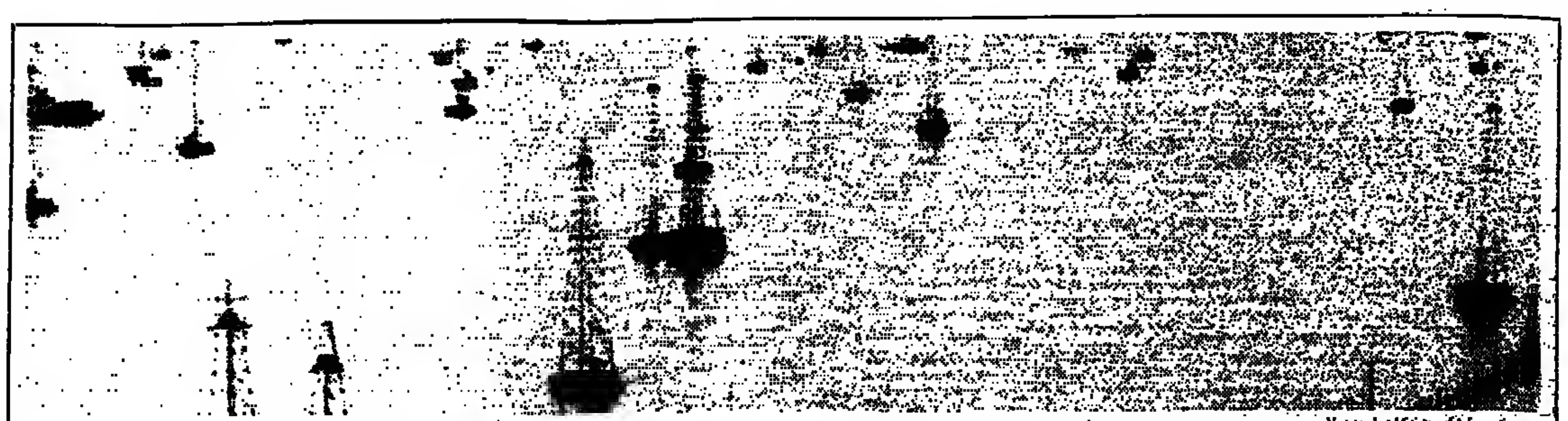
Earlier this year, the bank's executive directors approved a trial program in which the bank, in addition to its own loan, can also participate in the parallel commercial loan. "This participation may take the form of direct financial participation in the later maturities of a loan made by commercial banks, the use of the World Bank guarantee, or a contingent participation by the World Bank in the commercial loan," the co-financing report said.

In some cases, loan disbursements may be speeded up or the amount of World Bank participation increased. In others, critical foreign exchange may be loaned to help an underutilized export sector maintain its production level, according to World Bank officials.

But none of these changes should be taken as an indication that the bank is about to abandon any of four conservative principles that govern its lending principles above and beyond the 1:1 gearing ratio.

In the latest of its quarterly information statements required by the U.S. government on behalf of American investors, the bank outlines those principles:

- All bank loans are to be or must be guaranteed by the government or the central bank of the country in which the project is located.
- Loans must be for productive purposes and justified on economic grounds.
- Economically, the borrowing country must be likely to be in a position to repay the loan, including having the prospect of sufficient foreign exchange to do so.
- The use of loan proceeds is supervised, with disbursements made only as the project progresses.



Venezuelan Ministry of Information

Oil rigs on Lake Maracaibo, Venezuela's largest oil-producing region.

Central Bankers Strive to Close Loopholes in Code

BASEL, Switzerland — About 300 yards from the Basel railway station stands an unusual cylindrical building that houses the world's most powerful bank — the Bank for International Settlements (BIS).

The BIS, a tight club of influential central bankers, not only acts as a clearing house for central bank transactions but also as a prestigious think tank guiding Western banking policies.

Since central banks are the main regulatory authorities for commercial banks in every country, the BIS is the nerve center for surveillance of international commercial banking.

Until recently, the BIS was as nondescript and discreet as the city playing host to it. Central bankers met there once a month to clear accounts with one another and discuss the economic outlook to assess the kind of monetary policy best suited to their needs. They made no pronouncements and few people paid much attention to them.

But as recession took hold of Western economies, monetary policies became crucial instruments for controlling inflation and arresting unemployment.

The role of the BIS began to change soon after the 1973 oil price increases that brought surplus cash flooding into Eurodollar markets. The collapse of West Germany's Herstatt bank in 1974 jolted central bankers into more closely monitoring the foreign exposure of domestic banks partly by keeping a wary eye on their foreign lending-to-equity-capital ratios.

A deal among central bankers, called the Basel Concordat, was worked out in 1975 detailing, for the first time, active cooperation among Western central banks to control imprudent lending by commercial banks. It also clarified the responsibilities of the national central bank in case of a major commercial bank collapse.

The concordat apparently served its purpose well because no major bank closures occurred in Europe for several years in spite of the frenzied activity involved in recycling petrodollars, which substantially redefined the international role of both central and commercial banking.

The era of massive consortia lending arrived in Europe in the mid-1970s at the same time as unprecedented speculative capital movements and volatile exchange rates. Despite the unique strains on the system, apart from occasional closures of small banks, European bankers managed to sail through those turbulent and exciting years.

Then came the Banco Ambrosiano scandal when the Luxembourg holding company, Banco Ambrosiano Holding (BAH), defaulted on nearly $400 million of syndicated Euromarket loans. Central bankers suddenly recognized a gaping loophole in the 1975 concordat.

The concordat had laid down no guidelines about which central banks should supervise foreign subsidiaries, holding companies or joint ventures of international bank groups. Should responsibility rest with the central bank of the parent company's country or the affiliate's host country, or should responsibility be shared by the two central banks?

The apportionment of responsibility is vital because only the central bank, in its capacity as lender of the last resort, can decide to launch a rescue operation either singly or in cooperation with others.

The BIS is trying to expand and convert the concordat into a formal agreement on international banking supervision. However, the planned agreement would be limited and would not significantly restrict each central bank's right to make its own decisions or to choose its own methods of enforcement.

An accord would not involve anything that might be misinterpreted as a pledge of automatic rescue operations. On the contrary, the purpose would be to make it easier for central banks to detect shaky commercial banks early enough to push them off the brink of crisis in time.

By clarifying the areas and extent of central bank responsibility in cross-frontier defaults, the agreement would allow members to force careless banks to shape up while minimizing the international impact of any default.

Systematic handling of challenges to international financial stability that arise from commercial bank misjudgments is particularly important when hundreds of banks from many countries act together often to make syndicated loans to international companies and governments.

The collapse of one large syndicate member can bring many of the others down even when the borrower may not have defaulted.

Although many commercial banks have more resources at their disposal than the national budgets of three-quarters of the world's developing nations, they are also more fragile than ever. This stems partly from their huge dependence upon one another through the $1-trillion interbank loan market.

In this market, banks lend surplus funds to others usually for only a few days (although periods can extend up to 12 months) simply to avoid keeping the money idle. Therefore, the collapse of one large bank can mean loss of interbank loans made by hundreds of others.

Worse still, if the borrowing banks lend interbank funds to a company or government that defaults, the effect on all the banks from which it borrowed can be catastrophic.

Banks lend on the interbank market simply to use their idle money and do not expect it to be tied into risky loans to outsiders. Such loans are usually raised through syndication when each participating bank can independently decide whether or not it wants to share the risks involved. The diversion of interbank money to a government on the edge of insolvency does not give that choice to all the banks involved in the chain.

Consequently, the mere specter of default by the government borrower sends jitters through the entire interbank system. The risks for lenders become nerve-shattering if the borrowing government uses interbank funds to compensate for a balance of payments deficit, making no investments capable of generating the income needed to repay its creditors.

The irony was and still is that the banks involved are generally well managed and innovative in much of their domestic and international business. However, the shortage of liquidity created by the inability of government borrowers to even pay the interest and administration charges on their debt is so great that many banks face acute difficulties in paying off their own interbank debts. It is these difficulties rather than Third World indebtedness as such that threaten the world banking system.

Cash, which only two years ago was available in excessive quantities, is now so short that many banks are forced to draw down hidden reserves.

This interbank market crisis, rather than Third World debt as such, is what worries the BIS. It is also the chief reason the BIS has come into prominence in the past two years.

Once the epitome of discretion, the BIS under a new president, Fritz Leutwiler, who earlier headed the Swiss National Bank, is now in the forefront of the world monetary debate. It aggressively participates in handling the dangers hanging over commercial banks and also wider issues of Third World poverty and Western economic policy.

The aim of expanding IMF and World Bank resources would be to enable developing countries to start productive projects raising their credit worthiness with commercial banks. Such banks are the only large enough source of the huge sums needed for economic development. IMF and World Bank loans cover barely about $20 billion of Third World borrowing needs estimated at more than $80 billion in 1983 and rising to beyond $200 billion by 1990.

But IMF and World Bank finance is crucial because it is long term and allows borrowers to create the liquidity base — the capability of handling debt-service burdens — needed to attract commercial funds.

Commercial banks worry that Third World governments shy away from the tough political choices needed to restructure their economies rather than waste borrowed money on less productive investments. The BIS therefore makes availability of bridging finance conditional of acceptance by the borrower of harsh IMF measures to restructure the economy.

—BRIJ KHINDARIA

EUROMARKETS

Canadian Banks Turn to U.S. for Growth

By Fred Langan

TORONTO — With the domestic banking market showing few signs of growth, Canadian chartered banks have been aggressively expanding in the United States.

Fifteen years of gradual moves into the United States have culminated this fall in the third largest bank in Canada announcing plans for a major acquisition of a retail banking operation in the United States.

The Bank of Montreal plans to buy Harris Bank of Chicago for 546 million Canadian dollars, taking up all the shares at 82 Canadian dollars a share. The proposed acquisition makes the Bank of Montreal the largest Canadian institution in the United States, the increase in assets will also make it the second largest bank in Canada, edging out the Canadian Imperial Bank of Commerce.

The deal will not be final until the fall of 1984. The Bank of Montreal has assets of 63.7 billion Canadian dollars, compared to 9.4 billion for Harris Bank, the 33d largest bank in the United States. The acquisition would make the Bank of Montreal the sixth largest in bank operations in the United States.

The takeover is a friendly one, and the chairman of the Bank of Montreal, William Mullholland, said that he did not want to get involved in a "secret, dramatic" bidding war. Mr. Mullholland is reducing his exposure to difficulties that could come from regulators in the United States and from political opposition in Canada.

Canada's Bank Act restricts the activities of the 56 foreign banks operating in Canada by limiting their size to 8 percent of the total asset base of all banks. The total assets of all banks in Canada is 346.7 billion Canadian dollars; the foreign banks have assets of 20.4 billion Canadian dollars, just slightly under their limit. The "big five" — Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal, Bank of Nova Scotia and Toronto Dominion Bank — do more than 90 percent of the business done by the 11 Canadian chartered banks.

U.S. banks operating in Canada have been petitioning the Inspector General of Banks to increase their size, and, not too surprisingly, Mr. Mullholland has been supporting them. He recently wrote a letter to Ottawa asking that the restrictions on foreign banks be removed. "We have no objections whatsoever about removing the restrictions on U.S. banks in Canada," he said. He hedged that by saying he would not want the Bank Act reopened until it comes up for its 10-year review in 1990.

However, the finance committee of the House of Commons in Ottawa has recommended an early end to the ceiling on foreign bank assets. It would come sooner than Mr. Mullholland expected, perhaps as early as next spring, and would be done through an amendment to the Bank Act.

One worry the committee had was that keeping a loan limit on the foreign banks would drive business out of Canada. "This situation may induce foreign bank subsidiaries to refer their clients to their head office for their loans, bypassing the existing regulation," the committee said.

Buying Harris will have an effect on the Bank of Montreal's existing banking operations in the United States, namely the Bank of Montreal (California). Mr. Mullholland said that the Bank of Montreal will have to "debank" its California banking operations, meaning that it will not be allowed to take both deposits and make loans. He said the bank will probably get out of the deposit business in California, "but it doesn't make much difference anyway," he added.

The Bank of Montreal's commercial lending operations in New York City will not be affected; except he announced that the bank will be moving its U.S. headquarters from New York to Chicago.

The acquisition is seen as a good long-term move for the Bank of Montreal, which has not been growing as quickly as some of the other "big five" banks. "The Bank of Montreal is a high-growth bank and it has not worked well in a slow-growth environment," said Robert Gay, a bank analyst with Dominion Securities AMES.

The acquisition is not popular with Canadian economic nationalists. The Socialist New Democratic Party was critical of the Bank of Montreal spending money outside Canada. Mr. Mullholland replied that Ottawa's concerns with the concentration of banking power would never allow any Canadian bank to expand within Canada.

It is not the Bank of Montreal's first major foray into the United States. Apart from its interests in California it tried to buy 87 branches of the Banker's Trust Company in the late 1970s. But negotiations fell apart when the two banks started squabbling over price.

Measuring the activities of Canadian banks in the United States is difficult. The only figures are those published in the annual reports of the banks under the heading "location of assets by ultimate risks." The real size of loan portfolios of the Canadian major in the United States is almost certainly higher but these are the latest official figures in Canadian dollars; the numbers in brackets are the percentage of each bank's total assets represented by its U.S. loans — the Bank of Montreal, $7.1 billion (11.4 percent), not including the planned Harris acquisition, the Bank of Nova Scotia, 6.7 billion (12.5 percent), the Canadian Imperial Bank of Commerce, $6.565 billion (9.6 percent), the Royal Bank of Canada, $5.868 billion (6.7 percent), and the Toronto Dominion Bank, $5.03 billion (11.1 percent).

In spite of those numbers, the Bank of Nova Scotia is said to be the No. 1 Canadian bank operating in the United States. "Even though the dollars don't show it, the Bank of Nova Scotia has the deepest penetration in the United States," said Mary Lesslie, a bank analyst with the Toronto firm of Midland Doherty. She added that the Bank of Nova Scotia has "the largest market share of big corporate clients."

Perhaps the most surprising element thet the Royal Bank of Canada, the largest in the country, has a relatively small position in the United States, eclipsed by the Bank of Nova Scotia, which holds only the fourth position in terms of assets in Canada. One reason is that the Royal Bank is international, it has offices around the world; another reason is that the Bank of Nova Scotia because of its size was squeezed out of a lot of the corporate business in Canada.

In its home country it concentrates on retail banking, small businesses, mortgages and consumer loans. Its international face is totally different. "To diversify their loan portfolio the Bank of Nova Scotia went to the United States and the Caribbean to get floating-rate loans," according to Thomas Starkey, an analyst with Bell Gouinlock in Toronto.

Canadian banks have concentrated their activities in three states, New York, Illinois and California, although the "big five" banks each operate in at least five states, some in as many as nine. Canadian banks have been expanding rapidly in the United States because it is Canada's largest trading partner. In 1981, it amounted to $110 billion, according to the Canadian government. Trade with the United States represented 66 percent of Canada's exports and 69 percent of Canada's imports.

For Euromoney, Toronto Is 'Secondary Center'

TORONTO — Toronto has become an important satellite center in the world of Euromoney.

Toronto's activity in Euromarkets picked up in the late 1960s and early 1970s, when international brokers in the interbank deposit market began to operate from the city.

"Toronto is a secondary center," said a Canadian bank manager, "just as the Canadian dollar is a secondary currency when compared to the American."

The deposit side of the Euromarkets is handled by about 15 people at the five Canadian banks that do more than 90 percent of Canada's banking — the Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal, Bank of Nova Scotia and the Toronto Dominion Bank. Seven international brokers employ about 35 to 40 more people, with the rest of their staff dealing in foreign-exchange markets, which for Canada, also are centered in Toronto.

Of the two types of Eurobusiness done in Toronto — the deposit side and foreign exchange — the deposit side is far more important. The Eurodollars at the Canadian banks are U.S. dollar deposits of U.S. residents, Latin Americans and Europeans, as well as various governments, central banks and other large international banks.

Canadian brokers and banks, through their London affiliates and subsidiaries, also trade bonds and underwrite them.

"Canadians are big users of the market because they're big users of foreign capital," said Roderick Macgillizray, vice president and director of Dominion Securities AMES in Toronto. Mr. Macgillizray was in the market in London before moving back to Canada several years ago. He said that Canadian companies and especially Canadian governments borrow in the Euromarket. "They have largely good enough quality credit that they can tap a bond market as opposed to having to go to a bank."

Canadian investment dealers are active in the secondary market trading the bonds in London. The big brokers all have offices in London and elsewhere in Europe and the Far East.

Last year provincial, federal and municipal governments and corporations in Canada borrowed $6.7 billion on the Euromarkets; only the United States borrowed more. For the first six months of this year, Canada has borrowed $2 billion, which is less than the United States, France and Japan.

There was also a small market in Euro-Canadian dollars. Last year there were $1.2 billion in Canadian issues; there were only half a billion in the first six months of this year.

Mr. Macgillizray said the reason for the drop in borrowings this year was that "rates in Canada were so good this year that most borrowers stayed in the domestic market."

—FRED LANGAN

EUROMARKETS

Despite Exposure, Citicorp Wins Praise

WASHINGTON — Citicorp, the world's largest banking corporation, had $130.5 billion in assets at the end of the third quarter, including about $10 billion in troubled loans to Brazil, Mexico, Venezuela, Argentina, Yugoslavia and Chile.

Standing against those and all other questionable loans in its $88.3-billion portfolio, Citibank had only $736 million in loan loss reserves and $8 billion in other total capital.

A complete default on the roughly $4.5 billion worth of loans to Brazil alone could leave the bank's capital position severely impaired. The impact of any such default deeply worries U.S. bank regulators and the Federal Reserve. As a senior Reagan administration official put it, "There hasn't been a week this year that we haven't gone to the brink with Brazil."

Yet, whatever cloud may be hanging over Citibank or other major U.S. banks as a result of the continuing international debt crisis, stockholders of its parent holding company, Citicorp, are hardly bailing out in droves. The price-earnings ratio of the stock is down, probably because the market is keeping one eye cocked toward those potential foreign loan losses. But the drop in the ratio has been only from six last year to five currently.

Meanwhile, a number of stock analysts have given "buy" recommendations on the stock because of its prospective earnings growth, which they say is not fully reflected in the price of its shares.

Citicorp continues to earn more than a 16-percent return on equity, and the analysts generally project steadily rising per-share earnings for coming years, always assuming the worst does not come to pass in Latin America.

Lawrence W. Cohn, who follows Citicorp for Dean Witter Reynolds, the brokers, wrote not long ago: "Citicorp has strongly outperformed the market since mid-1982, but we believe that the stock still offers tremendous potential. The company's operating leverage from declining interest rates and the continuing benefits of usury relief is extraordinary, and Citicorp's outlook is exceptionally bright as a result.

"On the international side, a new pricing cycle should continue to result in substantially improved pricing and profitability. Domestically, Citicorp's consumer banking business is now solidly in the black, with further substantial operating earning growth expected," the analyst's report continued.

"As fears about an international monetary collapse abate and as the market begins to appreciate the opportunities of deregulation, we believe that Citicorp's price-earnings multiple will rise appreciably. Citicorp remains our favorite Buy recommendation in the multinational banking group," it said.

Ironically, the international debt crisis that has left Citibank exposed to a potential disaster seems to be helping the bank make more money in the short run.

Citibank, like all other larger money-center banks, acquires a substantial portion of the funds it lends by borrowing money itself, using a wide variety of money market instruments, such as large certificates of deposit. Both in the United States and in other countries, many banks faced with large actual or potential loan losses have found their own credit ratings slipping. As a result, it costs them more to borrow needed funds.

That is one reason, for instance, that some of the big banks have been courting retail deposits so vigorously: They want to minimize their level of outstanding large CDs both because the market is requiring them to pay a premium and because of a fear that, in a crisis, they could not roll them over.

But Citibank's reputation is such that it has had no such problems, whatever its exposure. As the Dean Witter Reynolds report noted: "Euromarket pricing [of loans] has improved significantly due to reduced OPEC balance-of-trade surpluses and increased perceptions of risk brought on by fears about Poland, Mexico, Argentina, and other countries.

"In this environment, major U.S. multinational banks continue to access the markets at the best rates, while virtually all non-U.S. banks pay a premium, which leaves the U.S. banks with better volume on higher margins. With its worldwide branch network, Citicorp is ideally positioned to benefit."

After Citicorp reported third quarter earnings of $221 million, or $1.58 per share fully diluted, Lawrence R. Fuller, an analyst with Drexel Burnham Lambert, echoed the sentiments of Mr. Cohn.

"We continue to believe that the operating results of the corporation will outperform the results of the other major bank holding companies over the next two to three years," Mr. Fuller wrote. "We consider the corporation the leader in the application of advanced computer telecommunications systems to the development and delivery of financial services to both retail and corporate market.

"The valuation of the common stock is depressed, as is the valuation of the other major international money-center banks, by the negative psychologies surrounding the rescheduling of major developing country credits."

On occasion, Citibank has been less forthcoming than some other major banks about its exposure to possible foreign loan losses, but it is clear that it has classified only a few of such loans as nonperforming. "Nonperforming loans," according to the bank, "include nonaccrual loans and renegotiated loans. Nonaccrual loans are those on which, as a result of doubt as to collection, income is recognized only to the extent cash is received. Renegotiated loans are those on which the rate of interest has been reduced as a result of the borrower's inability to meet the original terms."

At the end of the third quarter this year, Citibank had $2.6 billion worth of nonperforming loans, about 3 percent of its total portfolio. That compares with a historical high of 5.1 percent at the end of 1976.

The $2.6 billion figure is about $900 million higher than the year-end 1982 number and $1.6 billion higher than yearend 1981. However, in the first nine months of this year, the bank's total capital, including loan loss reserves, also increased by more than $1 billion.

The large increases in nonperforming loans both in 1982 and this year were primarily in the bank's overseas offices, particularly in Mexico and other Latin American countries, the bank said. Most of the borrowers were in the private sector.

Citibank regards its policy on classifying loans as "aggressive," and cites as evidence the fact that in the first three quarters of this year, it received cash payments representing a 10.3-percent yield on nonperforming loans. "This yield compares closely with the average base lending rate of 11 percent in 1983," the bank said in releasing its third-quarter earnings statement.

In other words, the bank was doing almost as well with its nonperforming loans as with all its other loans.

Meanwhile, under its chairman, Walter B. Wriston, Citicorp continues to pursue its nationwide expansion in financial services as aggressively as the law and regulatory decisions will allow.

Last year, it became the first major bank holding company to acquire a thrift institution in a state other than the one in which it is based. The acquisition of Fidelity Savings & Loan of San Francisco, now renamed Citicorp Savings, gave Citicorp access to the lucrative California market through more than 80 branches.

With the remaining barriers to interstate banking being steadily eroded in the United States — the six New England states, for instance, have acted on their own to allow interstate banking for institutions within that region — Citicorp can be expected to continue to expand in whatever direction looks profitable.

Worldwide, the number of offices of Citicorp branches, subsidiaries and affiliates is approaching 2,500.

Another New York analyst who has followed the big U.S. banks for years regards Citicorp with something approaching awe. "They've got a perpetual motion machine over at Citibank," he said. "They are simply the conduit for money, and their executives believe they can make money no matter what. Their pockets are so deep that they don't ever panic because they can probably outlast any kind of problem."

So far, Citicorp seems to be outlasting the international debt crisis and making steadily more money to boot.

—JOHN M. BERRY

Asian Offshore Banking: The Shakeout Goes On

(Continued From Page 7)

the six months ended in September. Caution over incurring new international commitments kept the total actually extended to 600 billion yen. The shortfall is a telling indicator of the Japanese banks' changed attitude, since until recent months they have been very keen to promote yen credits. They generate lead management fees for Japanese rather than Euromarket banks and they eliminate the lenders' exchange risk.

Now, however, Japanese banks are concentrating on blue chip borrowers: Finland's borrowing of 25 billion yen at the beginning of November was a great success because of the number of banks that wanted to lend to a premium European name (61 financial institutions were eventually included in the deal). Yen loans, other than those to support trade contracts, are, however, becoming increasingly hard to arrange for lower-quality borrowers.

Most of the problems that face offshore banks in Asia this year can be traced to wider world credit trends, but each of Asia's three leading financial markets has had to battle serious problems of its own as well.

Hong Kong's travails have been the greatest — political jeopardy, banking crises, property and equities slumping in price, and a run on the currency. Barring the 1997 issue, however, the succession of financial and economic shocks does not seem to have shaken the confidence of foreign bankers in Hong Kong's role as the leading financial center of Asia. There appears to be a growing realization that in their different ways the collapse of property prices and rentals, and the fall in the value of the Hong Kong dollar, were a much needed restorative to the colony's trade competitiveness.

"It was getting to the stage where it was no longer possible to make and export jeans in Hong Kong," a banker said. "Or at least you could, but they would need to be priced at $35 a pair."

Lower property prices mean cheaper factory space. A lower Hong Kong dollar means more competitive exports. Without intervention by the authorities, the correction to both prices went further, and faster, than it would have in many other economies — harrowing while it happened, but inevitable for the health of the real economy.

Singapore has been spared many of the problems of its rival for banking supremacy in Asia, yet the ACU market has run out of steam. The total assets held by ACUs seem to have reached a plateau between $100 billion and $110 billion, and it could well be that Singapore has attracted about as many banks as it is going to get — about 160. The abolition of withholding tax on the interest accruing to nonresidents' deposits by the Hong Kong authorities in February 1982 seems to have pulled some funds away from Singapore, funds that have not come back despite Hong Kong's troubles.

Singapore has hit back by offering a concessional tax rate on the profits made by fund managers (ACUs are taxed at 10 percent on their profits, and from May 1 that rate has also been applied to the fees of fund managers, while MAS has also guaranteed that the income of nonresident investors in funds managed from Singapore will not fall under Singapore tax — a possibility that had worried fund managers about establishing an operation in Singapore).

Whether the new provision will help Singapore in the catch-up-with-Hong-Kong race remains to be seen: an even more direct challenge to Hong Kong, matching its zero tax on syndicated-loan income (provided some conditions are met, such as ensuring that at least half the lead managers are based in Singapore and that most of the work is done there), was announced in the Singapore budget in March this year, but does not seem to have influenced the market's dealings in the last eight months.

Tokyo, in its turn, has had to back away from setting up an offshore banking center. Japanese banks are not in the mood to expand their international financings, even from the comfort of their own doorstep. The Japanese authorities are worried about importing the instability of the international money markets into the domestic yen markets, and opposition from banks afraid that they will lose out to offshore banking units — especially from the trust banks and long-term credit banks, who believe their privileged access to longer maturity deposits will be threatened — has not been overcome with the promise of offsetting benefits in other areas of their business.

Offshore banking in Hong Kong has certainly benefited from zero taxation of offshore income (in theory, according to some sources, offshore income falls within the ambit of Hong Kong's corporate tax rate of 16.5 percent, but in practice tax is not levied). But it seems to be rather more rooted in the banks' freedom to run their operations as they please, in Hong Kong's trade and in the business opportunities in Hong Kong's banking hinterland of China, South Korea and Taiwan.

Singapore, on the other hand, has followed a rather more hothouse approach — tax breaks, but within a regulated system. MAS, for example, restricts the amount of business an ACU may do within Singapore (and taxes it at Singapore's corporate rate of 40 percent), and in general keeps a close eye on its ACUs.

Tokyo seems likely to fall somewhere in between. It is unlikely to offer any special incentives to OBUs to set up in Tokyo, other than the abolition of the 10-percent withholding tax it charges on nonresidents' interest income (the rate varies according to the nationality of the nonresident, but it is 10 percent in the case of the United States and most of Western Europe) and other charges, such as reserve requirements and insurance, on offshore deposits.

EUROMARKETS

Private Companies In Latin America Scramble for Funds

WASHINGTON — Most private firms in the debt-ridden countries of Latin America that have international dealings are scrambling to find the foreign exchange they need to do business.

The situation apparently is easing in Mexico, where adjustment to the new economic reality flowing from the debt crisis is farther along. In Brazil, Argentina and elsewhere, private companies are still turning to whatever source they can for the needed funds.

Trade finance is perhaps the most urgent problem, since it may be the key to keeping imports of critical parts or commodities, without which production lines cannot operate.

Its importance has been recognized by the International Monetary Fund, the banks and the various countries involved in trying to find a way out of the continuing crisis. For instance, the agreement earlier this year between the IMF and Brazil recognized this by calling for no reduction in the then outstanding $10 billion worth of trade credits. To the dismay of officials, those short-term credits by July had dropped to between $6 billion and $7 billion.

Some of the countries have also used regulations to try to ease the trade credit crunch. Beginning in April 1981, Argentina required that trade credits be extended to Argentine importers for at least 180 days, a requirement that was reduced to 120 days last May. Brazil used the same 180-day requirement for some imports beginning in October 1980.

Nevertheless, some of the emergency steps taken this year and last to keep the debtor nations solvent, such as tight restrictions on private-sector access to scarce foreign exchange, have left many companies high and dry.

To determine the extent of this problem and to get information about how it is being met, the Council of the Americas, an association of more than 180 major U.S. companies with investment, trading, banking and service activities in Latin America, recently surveyed more than 100 of its members who have manufacturing subsidiaries or affiliates there.

Thirty-five of the U.S. corporations, with collective worldwide sales of $230 billion last year, including $16.7 billion by affiliates in Mexico, Brazil, Argentina and Venezuela, replied to the council's questionnaire. There were at least 20 affiliates covered in each of the four countries.

Among the key findings of the council were the following:

- Overall, dollar earnings by the affiliates will be sharply reduced in 1983 compared to prior years.
- Where trade financing remains available, there has been a major shift to fully secured terms.
- Barter, countertrade and the like have replaced some normal trade financing, with greater use of these options expected in 1984.
- Of dollar borrowing by the affiliates, about 10 percent is owed to the parent corporation. About half of that 10 percent is past due.
- Some companies said that they would indefinitely continue to fully finance their local affiliates, but others report having reached their limit, and still others are approaching theirs.

Meanwhile, with the affiliates being squeezed, dividend remittances will be down this year, and in some cases very sharply. Dollar equity invested in the affiliates has fallen by one-third this year in Venezuela, is down slightly in Brazil and Mexico, and is not growing in Argentina, the council said.

While official statistics are scanty, there are a few available that tend to confirm the paucity of new trade credits from U.S. sellers of goods. For instance, last March non-banking business enterprises in the United States reported they held $401 million worth of commercial claims on unaffiliated foreigners in Brazil. That was less than half the figure at the end of 1980 and 50 percent lower than the year-end 1981 figure.

Comparably, the $864 million for Mexico in March was down from $1.002 billion at the end of 1981. The Venezuelan figure was $286 million, against $424 million.

Since the debt crisis arose, the U.S. corporations have clearly favored their affiliates in matters of trade credit. "About 90 percent of all shipments from parents to affiliates were on unsecured terms as of mid-1983," the report said.

— JOHN M. BERRY

Multinationals Become Focus of Moves to Standardize Company Data

GENEVA — Increasing worldwide interest in the operations of multinational companies by both investors and governments has focused attention in recent years on the need to improve the comparability of financial and general data about the companies.

Initially, the traditionally secretive companies were worried by this trend, but they seem to have realized that a certain amount of standardization of information could work to their advantage. For instance, minimum norms of information disclosure in comparable formats can help them to better compare their own performance against competitors, while disarming critics and reducing the hostility with which multinational companies often are received in developing, as well as European countries.

Attention in the general area of information disclosure has centered on reducing disparities in the presentation of financial accounts. Discussions are under way in several international forums to work out norms that companies might observe without being burdened by excessive administrative changes.

The most significant work is being done within the Paris-based Organization for Economic Cooperation and Development, which is analyzing several detailed aspects of company accounts.

More general points — international standards of accounting and reporting — are being prepared by the United Nations Center on Transnational Corporations, based in New York. These will have considerable long-term impact. But discussions are heavily affected by political considerations, such as the desire of developing countries to control the operations of multinational companies more tightly.

The work with the most immediate impact has been done by the European Community's Executive Commission in Brussels. The Council of Ministers approved a new binding regulation — the seventh directive on group accounts — in May this year concerning the drawing up of consolidated accounts according to internationally recognized criteria.

Under the directive, EC governments will introduce laws by the start of 1988 obliging companies to obey new rules on consolidated accounts for the financial year starting Jan. 1, 1990. The directive, which will apply only within the EC, may not bring large changes in existing practices that are already subject to local laws, but its significance lies in its bold foray into national accounting practices to enforce EC standards.

The difficulties of standardizing accounting methods are illustrated by the seven years of talks it took to reach the EC directive, the six years already spent in talks by the OECD's working group on accounting standards and the 10 years spent on the planned UN standards.

While governments are the main participants in each set of talks, regular advice is taken from accountancy associations and interested companies. The aim of the EC directive is to ensure that Europe-based multinationals present consolidated accounts.

The OECD's work is aimed at helping investors and business analysts, as well as reducing headaches for companies arising from the varying accounting practices of different countries.

The United Nations is analyzing how multinationals might alter their information disclosure policies to reveal more data to developing country governments wishing to assess the contribution of multinationals to their economies.

The EC's seventh directive affects nearly 2 million companies. It stipulates that a group's consolidated accounts must include all dependent undertakings.

The directive contains six definitions of a group, for the purposes of consolidation of accounts. Undertakings related to each other in any of the six ways constitute a group. However, member states may exempt from this requirement groups with a balance-sheet total of less than $4 million or a turnover of less than $8 million or that employ fewer than 250 people.

The directive's chief aim is to ensure that the consolidated annual report should include "a fair review" of the undertaking seen as a whole. An earlier directive — the fourth directive of 1978 — sets standards for the format of annual accounts, valuation rules, adjustments for inflation and auditing methods.

The OECD's work on accounting standards is aimed at clarifying various accounting and reporting terms contained in the organization's guidelines for multinational enterprises approved in 1976.

It expanded earlier this year to areas rarely explored in intergovernmental talks, such as separation of accounts prepared for purposes other than financial purposes, the role of consolidated accounts, transfer pricing and translation of foreign currency transactions into local currency to correct for exchange-rate fluctuations.

The OECD also is examining the specific problems involved in improving the comparability of accounts of banks and insurance companies.

— BRIJ KHINDARIA

Debt Problems Becoming a Serious Burden Across Sub-Saharan Africa

By Carol Lancaster

WASHINGTON — Bankers have been known to cringe at the mention of "an African debt crisis." They emphasize that African debt is small in global terms — roughly 10 percent of the total debt of less developed countries — and African debt problems do not threaten the financial health of creditors.

But debt has become a serious burden for a number of sub-Saharan African countries, including Zaire, Sudan, Ivory Coast, Togo, Madagascar, Senegal, Malawi and Zambia. The ratios of their total external debt to gross national product and their annual debt service to export earnings are as high as they are for major debtors in Latin America or elsewhere. In some African countries, annual debt service payments actually exceed export earnings.

Much of the foreign debt carried by African countries is public — foreign aid loans made on soft terms to countries that are among the poorest in the world. However, during the 1970s, a number of African countries borrowed substantially from private sources, mainly banks, on commercial terms. As a result, the proportion of commercial debt owed by African countries is approaching 40 percent of total medium-term and long-term debt. Also, the average terms of loans have hardened; maturities have shortened and interest rates have risen.

African countries first entered commercial markets for substantial borrowings in the mid-1970s when the prices of primary products, the principal exports of many of these countries, rose along with petroleum prices. Economic prospects for copper-exporting Zaire or for Sudan, which was seen as "the breadbasket of the Middle East," appeared bright, and banks were awash in petrodollars.

However, prospects for non-oil exporting African countries soon dimmed. Recessions in the late 1970s and in the early 1980s led to a decline in demand and prices for primary-product exports. With the continuing rise in the prices of oil and manufactured-goods imports, African states not producing oil found themselves in a serious balance-of-payments squeeze. A number of governments again borrowed commercially to ease the impact on their economies of the sharp deterioration in their terms of trade.

Debt problems in Africa are not just the result of a short-term liquidity squeeze, to be endured until the world economy recovers and demand and prices for their exports pick up. Prices for essential imports are unlikely to fall and prices for many of Africa's exports are not projected to rise substantially in coming years. Thus, the Africans will have to make painful — and perhaps even politically disruptive adjustments — in their economies. The challenge is to manage their debt and adjustments without choking off economic growth.

To deal with their immediate debt crisis, African countries have turned to the International Monetary Fund for standby agreements and extended fund facilities. As of the end of July 1983, 15 African countries had agreements with the IMF. Such agreements are not without conditions. They typically include restrictions on domestic credit creation and on government expenditures, reduction or elimination of subsidies, limits on wage increases, tax reform and currency devaluation.

African governments often have objected vigorously to IMF conditions on the grounds that they are so severe as to prevent growth, that they take a disproportionately heavy toll on lower-income groups, that their free-market orientation conflicts with the socialist policies of individual governments and that devaluation does little to expand exports but raises the price of imports and the domestic inflation rate.

These criticisms often have an element of truth. But no one in or out of the IMF has been able to come up with a formula for dealing with economic adjustments that does not include painful reforms. Despite these objections, many governments, desperate for balance of payments financing, have had little choice but to accept IMF conditions. An IMF program has become virtually a precondition for the rescheduling of public and private debts.

During the last three years, more African governments have had to seek debt rescheduling than any other regional grouping. By the end of 1981, 20 African countries were in arrears in their foreign debt payments. From 1979 to 1982, of 17 countries seeking to reschedule their public debt through the Paris Club, 16 were African. A number of African countries, Zaire and Sudan in particular, have had to seek successive reschedulings as they have found themselves unable to service already-rescheduled debts. African governments with significant amounts of private debt also have had to reschedule these debts. Liberia, Senegal and Sudan also rescheduled their bank debt in 1982.

For a number of countries, IMF conditions have proven impossible to meet. In some cases, projections of economic growth or export earnings have proven overoptimistic; in other cases, policy changes required by the agreements — for example, reductions in subsidies on foodstuffs, or contractions in government credit — have proven too risky for politicians to undertake or, once undertaken, to maintain.

Nigeria and South Africa represent special cases of African debt. Their debt is largely private, with South Africa having the largest and Nigeria the second largest debt in sub-Saharan Africa. In the case of Nigeria, the leveling off in oil prices has resulted in serious balance of payments problems, with short-term debt repayments postponed and substantial arrears accumulating. The Nigerians have refinanced some of their short-term debt and are negotiating with the IMF on a loan agreement.

The drop in the price of gold caused balance-of-payments difficulties in South Africa last year and the Pretoria government also turned to the IMF to borrow.

And so, what are the prospects over the coming years for African countries facing debt problems? Debt service payments are projected to continue to increase over the coming year. To meet these payments without choking off their economic growth, African countries must increase their foreign exchange through expanding exports, reducing imports and domestic consumption and, where possible, they must obtain a larger inflow of aid and commercial loans. They also must hope that interest rates do not rise.

Prospects are not bright for major improvements in any of these areas. African export markets are likely to remain weak. They could weaken further if high U.S. federal budget deficits drive up interest rates and halt the economic recovery in industrialized countries. The return of recession could mean low world demand for raw materials and higher costs of borrowing. Domestic policy reforms, particularly in the face of continuing economic stress, will remain painful and risky and governments are likely to move cautiously at best. There is a good possibility that aid flows to Africa will fall in real terms rather than rise if the United States sticks by its policy of reducing the total resources available to the International Development Association, the soft-loan window of the World Bank, which is low-income Africa's principal source of aid.

The writer is director of African Studies at Georgetown University. She was formerly a deputy assistant secretary of state in the bureau of African affairs.

International Bond Prices - Week of Nov. 24

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston
Prices may vary according to market conditions and other factors.

(Continued from Page 6)

$ 100	Long Term Credit Bk	11	'90 Mar	25	12.15		11.58
$ 100	Long Term Credit Bk	10¾	'93 Jun	93¼	12.28		11.53
$ 90	Long Term Credit Bk	17½	'90 Sep	101¼	12.11		12.27
$ 100	Long Term Credit Bk	12	'93 Dec	99½	12.26		12.18
$ 100	Mitsubishi Corp	10½	'90 May	94	11.85		11.17
$ 50	Mitsubishi Estate	11¾	'88 Mar	102	11.15		11.52
$ 100	Mitsubishi Finance	11¾	'90 Jun	96	12.27		11.85
$ 73	Mitsubishi Rayon Co	9	'89 Apr	87½	12.25		10.29
$ 25	Mitsui Petrochemical	8	'84 Apr	99	10.98	10.99	8.08
$ 70	Mol Mitsui Osk	7¾	'84 Aug	49½	10.07		7.87
$ 60	Nippon Credit Bank	15¾	'86 Aug	111¼	12.40		13.71
$ 100	Nippon Credit Bank	11½	'84 Nov	97¾	12.36		12.15
$ 100	Nippon Credit Bank	11¼	'93 Feb	94¾	12.21		11.87
$ 150	Nippon Tel/Tel	7¾	'84 Jan	98½	10.59		7.87
$ 50	Nippon Tel/Tel	8⅛	'87 Mar	91½	11.31		8.88
$ 40	Nippon Tel/Tel	10⅛	'90 Jan	93¾	11.56		10.80
$ 20	Orient Leasing	8¼	'84 Dec	98½	9.83	11.30	8.38
$ 25	Orient Leasing	9½	'86 Jul	95	11.78	13.06	10.00
$ 50	Sumitomo Finance	15½	'87 Jul	113	12.25		13.72
$ 100	Sumitomo Finance	10⅞	'90 Jun	93½	12.35		11.63
$ 20	Sumitomo Heavy Ind	7¾	'84 Jan	99¾	9.87		7.77
$ 25	Tokyo Curacao Holding	8¾	'88 Dec	89	11.89	12.07	9.69
$ 30	Toray Industries	7¾	'84 Oct	98½	9.54	10.23	7.87
$ 25	Y.S. Line (cayman)	7¾	'84 Mar	99	11.18	11.23	7.83

MEXICO

$ 130	Mexico	17½	'90 Mar	100½	17.04		17.41
$ 175	Mexico	18½	'95 Jul	103½	16.08		17.87
$ 40	Mexico	8½	'97 Mar	87½	13.29	16.34	9.71
$ 30	Mexico	8¾	'91 Dec	73	14.54	16.24	11.99
$ 20	Comision Fed.Electr.	8	'87 Feb	84½	14.21	18.91	9.47
$ 75	Comision Feb Electr	13	'87 Nov	80	19.79		15.85
cn$ 50	Nacional Financiera	17¾	'87 Mar	96	20.31		18.88
$ 75	Pemex	17½	'86 Nov	99½	17.72		17.59
$ 25	Pemex	16½	'87 Apr	99½	16.49		16.58
$ 30	Pemex	8½	'87 Sep	76	17.45	21.42	11.81

MISCELLANEOUS

NEW ZEALAND

NORWAY

PORTUGAL

SOUTH AFRICA

SOUTH AMERICA

SPAIN

SWEDEN

SWITZERLAND

UNITED KINGDOM

UNITED STATES

CONVERTIBLE BONDS

EUROPE

JAPAN

MISCELLANEOUS

UNITED STATES

HIGHEST CURRENT YIELDS

On convertibles having a conversion premium of less than 10%.

DM STRAIGHT BONDS

AUSTRALIA

AUSTRIA

BELGIUM

CANADA

DENMARK

EUROPEAN INSTITUTIONS

FINLAND

FRANCE

GERMANY

HOLLAND

ICELAND

INTERNAT INSTITUTIONS

IRELAND

ITALY

JAPAN

dm 100	Tokyo Electric Pwr.	7¾	'86 Dec	103	4.27	1.43	7.04
dm 200	Tokyo Electric Pwr	6¾	'85 May	100	6.47		6.88
dm 100	Yokohama City	7	'84 Sep	101	5.46	5.45	6.92
dm 100	Yokohama City	8	'88 Aug	102	7.34	6.72	7.84

LUXEMBOURG

dm 100	Arbed	6¾	'87 Jan	91¼	9.74		7.40
dm 50	Arbed	9	'87 Jun	96½	10.20		9.33

MEXICO

dm 100	Mexico	7¾	'84 Jan	91	9.77		7.85
dm 200	Mexico	6	'90 Apr	93¾	11.11		6.40
dm 100	Mexico	7¾	'86 Jan	93	5.24	10.78	7.80
dm 150	Banco Nacional Obras	7	'86 Oct	96¾	11.38		-1.24
dm 100	Banco Nacional Obras	8	'86 Nov	96¼	9.47	10.17	8.31
dm 100	Comision Fed.Electr.	8	'84 Jun	97½	13.16		8.21
dm 100	Comision Feb Electr	7¾	'90 Nov	95	10.14	17.20	7.63
dm 150	Comision Fed.Electr	6¾	'86 Apr	88¾	10.15	12.48	7.65
dm 100	Nacional Financiera	6¾	'84 Mar	98¾	13.69		6.85

MISCELLANEOUS

NEW ZEALAND

NORWAY

PHILIPPINES

SAUDI ARABIA

SOUTH AFRICA

SOUTH AMERICA

SPAIN

SWEDEN

SWITZERLAND

UNITED KINGDOM

UNITED STATES

dm 150	Philip Morris Intl	8½	'87 Feb	108¾	7.38		8.39
dm 100	Philip Morris Intl	6¾	'86 May	106¾	7.02		2.76
dm 100	Philip Morris Intl	7½	'86 Dec	104½	-6.48		7.18
dm 50	Rhythm Watch Cu/w	5¾	'86 Jul	245			2.37
dm 100	Sea Intl.Finance Corp	7½	'86 Jul	99¾	7.54	7.61	7.52
dm 100	Tenneco Intl	5	'90 Jul	106¾	7.38		8.47
dm 80	Trw Internatl Fin.	7½	'84 Oct	101	6.27	6.87	7.43
dm 100	United Technologies	7¾	'92 Dec	107¾	7.33		7.38
dm 50	Wells Fargo Intl Cu/w	6½	'88 Nov	123	1.43		5.08

Explanation of Symbols

CN$	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	LFR	Luxembourg Franc
L	Pound Sterling	SFR	Swiss Franc
DM	Deutsche Mark	FF	French Franc
NKD	Norwegian Kroner - DM		

EUROBONDS

By CARL GEWIRTZ

Underwriters Stack Up Paper at Profit As Rate Fears Drive Away Investors

PARIS — Don't be fooled by the calendar of new Eurobonds with this column.

The continued flow of new issues should not be assumed to mean that investors are buying bonds. They are not.

Rather, the paper is stacking up on the shelves of underwriters who are apparently happy to do this since it can be done at a profit and, equally apparently, are undaunted by investor fears about which way interest rates are headed.

Unless there is some dramatic signal that rates are headed lower, bankers admit, investors are not likely to be back in force until the new year. The popular segments of the market ironically suffer from the additional burden of a strengthening dollar.

While most analysts agree that the dollar is overvalued, the rise in value does not attract investors to buy Deutsche marks at what must be a cheap rate, but rather frightens them about how much higher the dollar still might climb.

The dollar sector of the market also suffered from the oversupply of bank paper. Allied Irish Bank, Bank of New York and European-American Banking Corp. offered floating-rate notes. Bank of Tokyo sold $100 million of seven-year bonds at par bearing a coupon of 11⅞ percent, Security Pacific issued $100 million of five-year notes at par bearing a coupon of 11¼ percent, and DG Bank offered 75,000 of six-month warrants to buy seven-year bonds at par bearing a coupon of 11⅞ percent.

Belgium's floating-rate note was increased $100 million to $400 million, but underwriters outside the lead manager's group said they had sold virtually no paper and were baffled about the increase.

McDonalds, the only corporate issuer of fixed-rate straight debt, was also slow to attract investors. Its $75 million of 10-year bonds were priced at par bearing a coupon of 11⅜ percent. At the same time, it sold five-year warrants to buy $75 million of 11⅜ percent bonds. The bonds ended the week at a discount of 1⅞ points while the warrants, at $18.50, were fractionally ahead of the $17.50 offering price.

Prudential's Offering

While there was some evidence of investor desire for equity-linked paper, Prudential's offering of bonds with warrants to buy shares of the new American Telephone & Telegraph and the regional telephone companies was viewed as not especially attractive.

Prudential offered $150 million of 10-year bonds at par bearing a coupon of 10⅛ percent. In exchange for this low coupon, Prudential attached to each $10,000 seven warrants that can be exercised anytime over the next five years. Each warrant buys 10 new AT&T shares and one share each of the seven regional companies.

To exercise each warrant an investor has to pay $752.50 — a price that was 15.3 percent over the old, predivested, AT&T price quoted Wednesday when the terms were set.

The bonds alone were quoted at 90¾ to yield 11⅞ percent. The warrants alone were quoted at $110 each, putting a value of $770 on the seven offered. The package — $9075 for the bond plus $770 for the warrants — was quoted at 98⅛.

While the length of the option — much longer than available on any U.S. option market — was considered interesting, the offer did not come cheap. The $752.50 exercise price plus the $770 value of the warrants means that the stock price would have to rise 31 percent before investors started to make money.

Prudential, by contrast, is making money from the start. If it has purchased the $60 million worth of shares that it will need to issue if the warrants are exercised, it will earn 6 percent annual dividend income (assuming that the dividend remains unchanged) on the stock. Admittedly, taxes on this income, plus whatever — if any — expense it has incurred to hedge the holding in case the stock price collapses, reduces the gain.

But it is still making money on the holding. And, not to be forgotten, it

(Continued on Page 20, Col. 5)

Eurobond Yields

For Week Ended Nov. 23

Int'l inst. ls term U.S.$	12.25 %
Ind. long term, U.S.$	12.48 %
Ind. medium term, U.S.$	12.18 %
Can.$ medium term	13.12 %
French Fr. medium term	13.13 %
Int'l inst. ls term yen	7.56 %
ECU medium term	11.56 %
EUA long term	10.60 %
Int'l inst. ls term FLx	10.55 %
FLx medium term	10.86 %

Calculated by the Luxembourg Stock Exchange.

Market Turnover

For Week Ended Nov. 25 (Millions of U.S. Dollars)

	Total	Dollar	Non-dollar
Cedel	7,534.20	5,782.80	1,751.40
Euroclear	14,989.60	13,564.00	1,425.60

IBM Files Big Lawsuit On Secrets

By James Barron

New York Times Service

NEW YORK — International Business Machines Corp. filed a $7.5-billion lawsuit Friday against National Semiconductor Corp. in the latest chapter of its continuing fight to protect what it says are its trade secrets.

IBM had previously sued National Semiconductor and a wholly owned subsidiary, National Advanced Systems, on charges that the company, which makes memory chips for computers, and Hitachi Ltd. of Japan cooperated in a joint espionage campaign to steal IBM product plans. The charges grew out of a federal investigation last year.

The spokesman for National Semiconductor, which is based in Santa Clara, California, was not at home Friday night and could not be reached for comment.

IBM has already reached out-of-court settlements with more than a dozen other companies and individuals, including Hitachi, that it accused of stealing or trading in its plans.

Peter Kuhn, a spokesman for IBM, said Friday night that the company had filed the new suit because it had been unable to come to terms with National Semiconductor.

"There have been negotiations going on virtually the whole time since we filed the suit," Mr. Kuhn said. "There is still the possibility that a settlement will be reached before a trial is actually held, but at some point you have to decide whether you'll proceed with the litigation, which is essentially what we're doing."

Hitachi was named in the suit Friday, which was filed in U.S. District Court in San Francisco, but Mr. Kuhn said the suit contained no new charges against Hitachi. The Japanese company was cited only because the IBM material that Hitachi purportedly obtained had come from National Advanced Systems, he added.

He said Friday's suit had no effect on the settlement reached in October with Hitachi. Included in that settlement was a clause giving IBM the right to inspect Hitachi's products for five years. Hitachi agreed to pay legal costs and the companies set up a system for resolving trade disputes in the future.

In a court appearance 10 days ago, Thomas Barr, a lawyer for IBM, told U.S. District Judge Spencer Williams that National Semiconductor "got the benefit of a year's research and development."

U.K.'s Sale of 25% of C&W Shares Probably Will Draw Many Investors

By Bob Hagerty

International Herald Tribune

LONDON — Britain's Conservative Party government, intent on selling off state-owned companies as quickly as possible, will have to strain to unload some of its debt-gorged behemoths.

This week, however, the government is making what is likely to be one of its easiest sales. On offer is nearly 25 percent of Cable & Wireless PLC, the telecommunications company that started life wiring together the British Empire.

Kenneth Baker, minister for information technology and no slouch at salesmanship, recently boasted that C&W's chairman, Eric Sharp, "has transformed the company and changed its image of a network of wireless telegraphy stations manned by chaps in long khaki shorts to the most dynamic company in world telecommunications."

London share analysts do not go quite that far in their praises of Mr. Sharp, a onetime violin and acting student who took over C&W three years ago and who says he relaxes by baking his own bread. But they do say that Mr. Sharp and his team have tightened accountability and cost control while giving C&W's far-flung managers authority to exercise entrepreneurial flair.

"Sharp's put a bit of zip into the business," says one analyst. As a result, says another, Michael Whitaker of Simon & Coates, C&W is "fundamentally much more attractive than British Telecom," the giant telephone monopoly. The government plans to sell 51 percent of BT next autumn.

This week, the government is selling 100 million C&W shares for a minimum of £2.75 ($4.02) apiece, reducing the state's holding to 23 percent from 45 percent. After announcement of the terms Friday, the shares closed at £2.95, up 2 pence on the day. Applications for the shares are due this Friday, and priority will go to the highest bidders.

The sale will raise at least £275 million, and probably considerably more. Two years ago, the government received just £224 million for half the company.

Such has been the rise in the City of London's esteem for C&W.

Two weeks ago, however, the market got a reminder of the long-term, capital-intensive nature of the business. The company reported that pretax profit for the first half ended Sept. 30 rose 16 percent from a year earlier to £80 million, on revenue of £213 million. That disappointed analysts gunning for faster growth after last year's unforeseen 76 percent profit surge.

C&W's main business is providing telephone services under franchises granted by 29 countries.

(Continued on Page 21, Col. 6)

Manila Seeking Rescheduling of Much of Its Debt

Reuters

MANILA — President Ferdinand E. Marcos said the Philippines wants to reschedule loans from foreign governments due for repayment in eight to 10 years.

The presidential palace said in a statement Saturday that Prime Minister César Virata and the central bank governor, Jaime Laya, will go to Paris for talks this week with an international consortium dealing with the Philippine government's debts.

Mr. Laya earlier said the government would approach the so-called Club of Paris to help the Philippines reschedule loans with easy terms from industrialized countries. The Club of Paris is a group of representatives from industrialized nations that handles government-to-government debt.

UPI

Ferdinand E. Marcos

The plan is separate from current negotiations for a rescheduling of about $3 billion owed to 350 foreign banks, which officials hope can be settled in January.

Government officials have not indicated the sum involved in restructuring loans from developed countries, but it will be substantial because a major part of the country's $24-billion foreign debt is from governments.

Mr. Marcos said: "What we are talking about is possibly restructuring the loans that are most bothersome and are due for another eight to 10 years."

He said the government was also trying to raise new money, which he estimated would be $500 million to $2 billion, to pay for imported raw materials, spare parts and new equipment, in addition to oil, grains and fertilizers.

He said Mr. Laya and Mr. Virata would hold separate talks with foreign financial leaders this week before going to Paris.

Prime Minister Yasuhiro Nakasone of Japan had promised U.S. President Ronald Reagan that Japan would help the Philippines resolve its current economic problems, Mr. Marcos added.

The palace statement said central bank officials were now in Japan working out details of a financial program.

Mr. Marcos also said the country's energy minister, Geronimo Velasco, was negotiating increased oil supplies in the Middle East. He said the response had been positive but did not give details. The supplies would be in addition to 1 million barrels of oil China has promised the Philippines.

He added Mr. Laya would probably join Mr. Velasco in the Middle East to find out whether the region could be tapped for investments and aid.

U.S. Recovery Seen Slowing Further

By Kenneth N. Gilpin

New York Times Service

WASHINGTON — In keeping with the pattern of postwar economic expansion, the pace of the current recovery has slowed after a vigorous, initial rebound from recession. Growing evidence suggests that the pace is likely to moderate further during the fourth quarter.

The eight-tenths of 1 percent rise in industrial production in October was the lowest since February. Housing starts have declined for the last two months. And auto sales for the middle 10 days of November were relatively flat, remaining at an annual selling rate of slightly less than seven million.

For the time being, economists are welcoming a more modestly paced, but solid, recovery.

"The outlook is for the best of all possible worlds in the fourth quarter and through next year — low inflation and a sustainable recovery," said Edward Yardeni, chief economist at Prudential-Bache Securities. "I didn't think that was possible a year ago."

Indeed, the trend has been a pleasant surprise to those who a year ago worried that huge federal budget deficits, high real and nominal interest rates and a record trade deficit would produce a sputtering, tepid recovery from the worst recession since World War II. But the recovery that has emerged is, by historical standards, a more familiar animal.

Robert T. Parry, an executive vice president at Security Pacific Bank in Los Angeles, said: "We think growth in the fourth quarter will be on the order of between 5.5 percent and 6 percent.

"Since growth achieved during the second and third quarters of this year was clearly not sustainable, we think this forecast is highly desirable."

In its most recent polling of more than 40 economists, taken earlier this month, Blue Chip Economic Indicators, a newsletter published in Sedona, Arizona, said most analysts were expecting output to increase 5.5 percent this quarter.

As with most of its predecessors, the initial momentum to the current recovery has been provided by sharp increases in consumer spending.

(Continued on Page 20, Col. 4)

Poland Said to Resell Libyan Oil at Loss to Gain Hard Currency

By John Kifner

New York Times Service

WARSAW — The Polish government is taking a loss of up to $8.4 million reselling Libyan oil on the open market in a bid to earn hard currency to prop up its economy, industry sources say.

The decision illustrates the plight of the Polish economy, heavily dependent on Western raw materials and spare parts and severely hit by a cutoff of credit from Western nations.

Poland is now increasing its overall debt to obtain dollars needed to buy Western materials.

Poland's foreign trade minister, Tadeusz Nestorowicz, said at a recent news conference that Libya, one of the few countries extending credits to Poland, had granted $230 million in credits to allow Poland to purchase more than 7 million barrels of Libyan crude.

Asked if the oil was being used domestically or being sold, Mr. Nestorowicz replied: "We are selling it abroad in order to raise the money we need." He declined to disclose the prices involved, adding: "No country in the world would give you this information."

Oil-industry sources noted that under guidelines set by the Organization of Petroleum Exporting Countries, Libyan Zuetina crude carries an official price of $30.40 a barrel. These sources said that, given OPEC pressure on its member nations, it was unlikely that Libya would sell below the official price.

But Zuetina crude is selling at $29.20 on the spot market in Rotterdam in the Netherlands, as oversupply has weakened demand. Thus Poland would suffer a loss of $1.20 a barrel, or a total $8.4 million if it resold all the Libyan oil at that price.

Such resales would still yield more than $200 million in hard currency, sources say. But they add that Warsaw likely has to pay Libya interest on the loan. They say Libya might have granted Poland an extended period for repayment because Poland has supplied military equipment and training both to Libyans and to the Palestinians they support.

An oil market specialist and professor of economics at the University of Colorado, Ragaei el-Mallakh, said that although he did not believe Libya was selling oil to Poland at a discount, "I am 95 percent sure there would be some political content in these credit arrangements."

Reports have circulated among dissident circles in Warsaw for some weeks that Poland was buying oil on credit and selling it at a loss.

2 U.S. Banks Back Down Over French Guarantee

By Carl Gewirtz

International Herald Tribune

PARIS — The much talked about showdown between two U.S. banks, Morgan Guaranty and Citibank, and the French government over loan-documentation wording appeared to have been resolved last week when the two banks brought to the market a £100-million syndicated loan for Crédit National.

The dispute has centered on the unwillingness of the French government, as guarantor of loans by state agencies, to agree to a cross-default clause of its own. Morgan and Citibank walked out of an earlier ECU-denominated loan rather than accept not getting such wording and since then French borrowers have not raised money in the syndicated-loan market.

Morgan recently agreed to provide part of a back-up line that Crédit National was seeking for the sale of commercial paper in New York but the wording in that standby agreement, a private pact, was not made public.

The wording in the new sterling agreement makes it clear that the banks have backed down. All the banks got was the promise, written into the loan agreement, that no future lenders to Crédit National would receive better protection or, if they do, such protection would apply to this loan.

The issue is almost moot because a $600-million Crédit National loan arranged last year for eight years does carry the government's cross-default clause (whereby a default on any of its loans throws all others into default). Both Morgan and Citibank participated in that loan. Thus, through Crédit National's cross-default clause, the banks have a cross-default clause of the guarantor.

This exists only so long as the $600-million loan is outstanding. Once repaid, or prepaid and presumably canceled, this coverage will cease to exist.

Not all bankers are convinced that the new wording agreed by Morgan and Citibank will enable

SYNDICATED LOANS

French borrowers to tap the dollar market for substantial loans. That test will not be made until the new year because the French have now completed their 1983 borrowing plans.

What remains a mystery is why the banks made such a fuss about the absence of the guarantor's cross-default clause in the first place only to settle for such limp wording in the end.

One possible explanation is competitive pressure — the need for quality loans in a year when lending volume is generally down very sharply and the need to maintain a certain position with the French because both banks have important operations in the country.

In any event, the terms are a very competitive ⅜-point over the interbank rate for the first four years and half a point over for the final four years.

This same demand for quality assets explains the equally low conditions that Belgium has won on its $600-million, eight-year loan. It will pay an equally split margin of ⅜-½ point over Libor. The average life of this loan will be 6½ years with semiannual repayments beginning after a grace period of 3½ years.

The relative paucity of loans from countries free of debt problems also explained the $50-million increase in Algeria's loan to $750 million. The final amount may be raised further, depending on how much money is raised in general syndication.

Even Portugal's $350-million loan, which everyone agreed was moving slowly, finished what was regarded as a very successful syndication, with 20 percent raised from the market outside the underwriting managers.

New to the market this week is a $75-million loan for Cia. Sevillana de Electricidad, Seville's electricity company. Half the loan will run for seven years, with interest set at ⅜-point over Libor or ⅜-point over the prime rate. The other will run for four years, with interest set either at ⅜-point over Libor or half a point over the prime rate.

One of the more interesting operations to come to the market in a long time is the offer for sale of $40,024,116.81 of promissory notes payable by the Foreign Trade Bank of the USSR. The notes are held by Italsider and Finsider, the Italian steel companies, and are to be offered in the market at 1⅝ points over Libor.

The Russians pay a fixed 7.45 percent rate of annual interest and Italy's state-owned credit bank pays the rest.

U.S. Tool Orders Up 70% in Oct. From Year Ago

New York Times Service

NEW YORK — The National Machine Tool Builders' Association announced Sunday that machine-tool orders were up 70 percent in October from year-earlier levels.

But it said in a report that the level of orders last month was still depressed. James A. Gray, the association's president, said, "In early 1980, monthly machine-tool orders averaged over $500 million per month, versus $203 million in October."

Orders in October were 30 percent above September levels. Shipments were 9 percent more than in the previous month but were 29 percent below levels in October 1982.

Eli S. Lustgarten, an analyst with Paine Webber Mitchell Hutchins, said: "It's clear the worst is over for the machine-tool industry."

Economy Seen the Major Rate Arbiter

By Michael Quint

New York Times Service

NEW YORK — The pace of the U.S. economic expansion is slowing, and money-supply growth has dropped to within or below the targets set by the Federal Reserve. Both these conditions were key elements in forecasts of lower interest rates, which are still circulating even though rates are higher than some expected.

U.S. CREDIT MARKETS

For example, the 11.62 percent yield on 12 percent Treasury bonds due in 2013 is down slightly from 12.08 percent in early August, but is well above the 10⅛ percent yield for 30-year Treasury issues in early May.

"With money supply in bounds, and the economy slowing as projected, it would not be appropriate to abandon our forecast of a slight decline in rates, with federal funds at 8¾ percent or 9 percent in the first quarter of next year," said Thomas Thomson, chief economist at Crocker National Bank.

Analysts agree that the final arbiter of interest rates will probably be the economy's showing. David Jones, an economist at Aubrey G. Lanston & Co. who sees the tilt to interest rates "stable to firmer," noted that inflation-adjusted economic growth at a 6 percent annual rate in the current quarter is down from 7.7 percent and 9.7 percent in the two previous quarters, but "is still probably higher than is consistent with sustained long-term growth with low inflation."

U.S. Consumer Rates

For Week Ended Nov. 25

Passbook Savings	5.50 %
Tax Exempt Bonds — Bond Buyer 20-Bond Index	9.74 %
Money Market Funds — Donoghue's 7-Day Average	8.45 %
Bank Money Market Accounts — Bank Rate Monitor Index	8.49 %
Home Mortgage — FHLB average	12.19 %

Hopes that the central bank would soon encourage lower short-term interest rates may have been dampened late Friday after the Fed had announced that bank reserves became scarcer in the week ended Nov. 23, rather than more plentiful as many analysts had expected.

The announcement came after an early 2 p.m. closing by major brokers and dealers in the Treasury market, so there was no trading response to the new data.

Fed data showed that the banking system borrowed an average of $688 million from the Federal Reserve in the week ended Nov. 23, excluding seasonal and other special loans. Combined with $408 million of excess reserves held by some institutions, the banking system had an average net borrowed reserve position of $280 million, up $25 million from the previous week.

The Fed's report on the money supply, however, was held over because of the holiday and was to be released Monday.

World Bank to Try to Tap Fresh Sources of Money

By Clyde H. Farnsworth

New York Times Service

WASHINGTON — The World Bank, which borrows $12 billion a year in international markets to support its Third World lending activities, is about to adopt new ways to tap fresh sources of money and possibly lower its own charges on loans to the poor nations, according to bank officials.

They said that management will submit to the Board of Governors a proposal to sell floating-rate bonds for the first time, and that the bank could raise as much as $500 million in this way before the close of its fiscal year next June 30.

Floating-rate bonds pay interest that is adjusted to going short-term rates at regular intervals, usually every six months. Approval by the board is expected early in 1984.

The officials also said the 144-nation institution, known formally as the International Bank for Reconstruction and Development, is designing a new investment vehicle to attract surplus funds of central banks, and hopes to raise as much as $750 million from this source once authorization is obtained.

Banks would be able to invest for up to a year and yet be able to withdraw their money at two days' notice without a penalty. Bank officials said the facility would probably pay interest at a slightly higher rate than comparable U.S. Treasury bills.

The advantage of floating-rate bonds to the borrower, market specialists said, could be somewhat lower costs, as long as interest rates are falling. However, if rates rise, the cost of the borrowed money would rise.

Asked whether the bank expected interest rates to continue falling, one high official said, "We don't take a view on interest rates, but we want to establish this new framework as an option for borrowing in the future."

The advantage to the lender is that the market value of the bonds will not decline if interest rates rise. This is important to many institutional lenders because it means the bonds can be converted into cash at or close to par at the end of six months, thus avoiding a substantial capital loss if the funds are suddenly needed.

It is expected that the floating-rate bonds will be pegged to the interest rate on six-month Treasury notes. Currently they yield a little over 9 percent.

Wall Street officers who follow the bank's borrowing activities welcomed the innovations.

"They should strengthen the bank and help reduce borrowing costs even more," said the partner of one investment house that underwrites World Bank borrowings, who asked not to be identified.

Although the bank has been shaving its lending rate, which is currently 10.47 percent, it made a record $752 million in profit last year. Total lending commitments by the bank and its affiliates last year approached $16 billion. To support the lending programs it borrows extensively, and is the world's biggest international borrower. Last year it raised the equivalent of $10.3 billion.

CURRENCY RATES

Interbank exchange rates for Nov. 25, excluding bank service charges

	$	£	D.M.	F.F.	H.L.	Gldr.	B.F.	S.F.	D.K.
Amsterdam	3.043	4.44	112.055 *	36.85 *	0.1852	—	551.80 *	139.52 *	31.03 *
Brussels (a)	55.03	80.40	20.29	6.675	3.3545 *	18.109	—	25.24	5.625
Frankfurt	2.7115	3.9615	—	32.88 *	1.652 x	89.20 *	4.924 *	124.41 *	27.48 *
London (b)	1.4612	—	3.9617	12.0498	2,395.51	4.4388	80.44	3.1858	14.2855
Milan	1,642.75	2,396.60	604.98	199.06	—	539.97	29.807	752.77	167.66
New York	—	1.4625	0.3686	0.1212	0.0613 *	0.3304	0.0182	0.4584	0.1022
Paris	8.2525	12.0375	304.08 *	—	5.0265 x	271.30 *	14.984 *	378.18 *	84.36 *
Zurich	2.1818	3.1854	80.42 *	26.455 *	0.1328	71.82 *	3.9668 *	—	22.28 *
1 ECU	0.8326	0.5714	2.263	6.8812	1,369.57	2.5359	45.9109	1.8189	8.1695
1 SDR	1.04737	0.717131	2.84235	8.6434	1,720.57	3.1872	57.7181	2.2847	10.2642

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.917	Australian $	1.0905	0.0107	Israeli shekel	93.875	0.4687	Singapore $	2.1307
0.0524	Austrian schilling	19.085	0.0043	Japanese yen	235.05	0.822	S. African rand	1.2166
0.018	Belgian fin. franc	55.62	3.4235	Kuwaiti dinar	0.2921	0.0013	S. Korean won	797.70
0.8066	Canadian $	1.2398	0.4264	Malay. ringgit	2.3451	0.0064	Span. peseta	155.80
0.1021	Danish krone	9.7925	0.1328	Norw. krone	7.53	0.1253	Swed. krona	7.98
0.1726	Finnish mark	5.7925	0.0712	Phil. peso	14.0545	0.0248	Taiwan $	40.25
0.0103	Greek drachma	97.395	0.0077	Port. escudo	129.34	0.0435	Thai baht	22.975
0.1279	Hong Kong $	7.8185	0.2873	Saudi riyal	3.4805	0.2723	U.A.E. dirham	3.673
1.1445	Irish £	0.8737						

£ Sterling: 1.275 Irish £

(a) Commercial franc (b) Amounts needed to buy one pound (*) Units of 100 (x) Units of 1,000

NQ: not quoted; N.A.: not available.

Over-the-Counter

NEW YORK (AP)-Weekly Over the Counter stocks giving the high, low, and last bid prices for the week with the net change from the previous week's last bid prices. All quotations supplied by the National Association of Securities Dealers, Inc., are not actual transactions but are representative interdealer prices at which these securities could have been sold. Prices do not include retail markup, markdown or commission.

Sales supplied by NASD.

			Sales in 100s	High	Low	Last	Net Ch'ge
A							
A M Fd			238	7¾	7½	7¾	+ ¼
AEC	.10e	.7	47	14	14	14	
AFP Im			299	5½	5⅛	5⅛	— ⅜
AMCbl			325	6	5¼	5¾	+ ½
AMC En	.03e	.2	129	13¾	13	13¾	+ ¾
AT&E			52	11¾	11¼	11½	
ATE Es			86	4⅞	4⅝	4⅝	
ATV			323	9⅞	9¾	9¾	+ ⅛
AamR s			296	16¾	16½	16¾	
Abrams	.32b	3.4	8	9½	9½	9½	

NASDAQ National Market

Chicago Exchange Options

For the Week Ending November 25, 1983

American Exchange Options

For the Week Ending November 25, 1983

(Continued on Page 21)

An Important Message from the GULF INVESTORS GROUP

WE BELIEVE GULF MANAGEMENT'S ROYALTY TRUST ANALYSIS IS WRONG

Dear Fellow Gulf Shareholder:

Gulf is circulating proxy materials dated November 16, 1983 addressed to institutional holders of Gulf stock. These materials purport to analyze the valuation of Gulf common stock after creation of a royalty trust with a 75% net profits interest in Gulf's U.S. oil and gas reserves. We are amazed at the low value placed on Gulf by its own management in these materials.

In our opinion, Gulf's materials reflect a gross undervaluation of Gulf. Gulf's materials assign an absurdly low value of only $5.10 per share for Gulf Oil common stock after creation of the trust. This value is wrong for the following reasons:

FIRST: Gulf Oil Corporation, after a 75% royalty trust, would have a book value estimated at $40 to $45 per share. **Gulf's $5.10 per share market valuation would mean that the company's stock trades at only 11% to 13% of book value.** ***In today's market, major oil company stocks generally trade at 70% to 100% of book value.***

SECOND: Gulf Oil Corporation, after a 75% royalty trust, would have cash flow in excess of $11.00 per currently outstanding share. **Major oil company stocks trade at 2.5 to 3.5 times cash flow,** ***but Gulf management is suggesting that its own stock would trade at a meager 0.5 times cash flow.***

THIRD: After a 75% royalty trust, Gulf's remaining operations would have a J. S. Herold valuation estimated at $62 per share (after adjusting Herold's most recent value of $114 per share to eliminate 75% of the value assigned to U. S. oil and gas reserves). **Gulf's $5.10 per share valuation represents only about 8% of this adjusted Herold's valuation.** ***In reality, major oil company stocks trade at 35% to 50% of J. S. Herold valuation.***

FOURTH: Gulf Oil Corporation, after a 75% royalty trust, would have over $30 billion of revenues, $16 billion of total assets and $1.9 billion of annual cash flow. **Yet Gulf management would have you believe that the company would have a total market value of only $840 million.**

FIFTH: Gulf Oil Corporation, after a 75% royalty trust, would continue to own 137 million shares of Gulf Canada Ltd. Based on the current price for Gulf Canada on the American Stock Exchange of about $14 per share, **each share of Gulf Oil would have an underlying $11.62 in market value of Gulf Canada stock. This value alone amounts to more than two times the $5.10 valuation for the whole company contained in the Gulf materials.**

SIXTH: Gulf Oil Corporation, after a 75% royalty trust, would in our opinion have sufficient cash flow to continue to pay annual cash dividends in the range of **$2.00** to **$3.00** per share. Therefore, on the basis of Gulf management's $5.10 per share valuation, **the annual dividend yield on the stock would be an incredible 40% to 60%.**

SEVENTH: Gulf uses a multiple of **only 5.3 times cash flow** in valuing the royalty trust units. **This multiple is unsupportably low in comparison to the multiples of eight to ten times cash flow which apply in the real world to other royalty trusts.** We believe this low multiple is particularly inappropriate in light of Gulf's annual development expenditures of $700 million, which should result in increased reserves and an extended productive life for the properties. **We believe that a multiple of 8 to 10 times annual cash flow of $6.75 per unit is more appropriate.**

EIGHTH: During the past five years, Gulf has spent $9.1 billion on operations other than U. S. oil and gas. This equals $55 per current share. ***Does Gulf management really believe that those operations plus the retained 25% of U. S. oil and gas reserves would have a value of only $5.10 per share?***

We believe the foregoing demonstrates that Gulf has **grossly understated** the value to shareholders of the royalty trust and the remaining company and shows a basic misunderstanding by Gulf and its advisors of the impact of a royalty trust on Gulf. We strongly believe there is substantial value in Gulf, and that the value can and should be realized for all Gulf shareholders. **We urge you not to base your vote at the December 2 special meeting on Gulf management's royalty trust analysis which we believe to be erroneous.**

Don't Be Confused About Taxes

Gulf Management has repeatedly claimed that a royalty trust is not good for individual shareholders.

Remember: The Gulf Investors Group consists of both corporations and individuals. These investors all believe the enhancement in the value of Gulf stock which could be achieved by a trust would substantially exceed the related tax liability for both individuals and corporations.

Remember: Other shareholders, **both individuals and corporations,** have overwhelmingly supported royalty trusts when given the opportunity. Holders of over **96%** of Mesa's, Southland's and Sabine's shares voting on the creation of trusts supported their companies' royalty trust distributions.

Remember: Our goal is the same as yours. We are working to increase value for **all** shareholders.

Don't Give Up Your Rights

Gulf management's reincorporation proposal is a defensive move to eliminate important shareholder rights.

- All shareholders **lose** their right to cumulative voting in the election of directors.
- Gulf shareholders **lose** the right of a 10% holder to require Gulf to submit proposed charter amendments to a shareholder vote.
- Gulf shareholders **lose** the right of a 20% holder to call a special shareholders meeting.
- **REMEMBER: You don't have to decide whether you are for or against a royalty trust at this time. The most important thing for you to decide is whether you want to preserve your right to have shareholder ideas such as a royalty trust come before you at some future time.**

YOU CAN CHANGE YOUR VOTE

Even if you have already voted for the reincorporation proposal, you have every legal right to change your mind and vote AGAINST on a later dated BLUE proxy card. Since time is short, please mail your proxy today in the envelope that has been provided to you. If you are concerned that your vote may not be received in time for the December 2 meeting, please call our proxy solicitor for immediate assistance:

THE Carter ORGANIZATION, INC.

Toll-Free 800-221-3343
or
212-619-1100 (collect)

VOTE AGAINST MANAGEMENT'S REINCORPORATION PROPOSAL.

Thank you once again.
On behalf of the Gulf Investors Group

T. Boone Pickens, Jr.

T. Boone Pickens, Jr.

Athens Seen Trying to Discredit Private Industry

By Paul Lewis
New York Times Service

ATHENS — When Andreas Papandreou's Pan Hellenic Socialist Movement came to power in Greece two years ago, George A. Tsatsos, one of the country's leading industrialists, made an effort to establish cordial relations with the new administration.

The effort, he now acknowledges with a wan smile, did not work. Indeed, he has become the prime target in what Western diplomats see as a government campaign to discredit private industry by blaming it for both the country's deepening economic malaise and the Socialists' failure to make good on many of their promises.

Mr. Tsatsos used to be managing director of Heracles General Cement, Europe's biggest cement producer and one of Greece's few successful big companies. Its sales totaled $350 million last year — equivalent to almost 1 percent of the Greek economy's total output. He and his family are also the company's largest private shareholders, with about 20 percent of the capital.

At first, Mr. Tsatsos said, he tried to make peace with the Socialists by never criticizing them and by calling on Prime Minister Papandreou and his Cabinet members to discuss economic problems.

In September, however, the government opened a tirade in the press against business corruption in general. This was followed soon afterward by government accusations against Mr. Tsatsos and 12 other top Heracles executives of $100 million worth of fraud and currency smuggling. Legal proceedings were opened against them and they were prohibited from leaving the country.

The Heracles executives, denying any impropriety, resigned. They complained that the government had pronounced them guilty without holding a trial. A new board, appointed by the government, took control of the company. On the Athens Stock Market, Heracles shares slumped to $4 from $14.

The attack on Heracles is one of several government actions that have created fear and uncertainty in the Greek business community.

In a newspaper interview, for instance, Prime Minister Papandreou said right-wing Greeks had set up a secret $120-million fund in Chicago with the aim of undermining the Greek economy. Opposition leaders demanded proof, but nothing more has been heard of this charge.

With 50 percent of Greek production already in state hands, ministers talk of "socializing" the private sector and say they are seeking industrialists guilty of "economic sabotage."

The minister of national economy, Gerasimos Arsenis, has said he knows of 45 bank directors (not identified) who have made "abusive loans." And he has promised that the government, already nationalizing the pharmaceutical industry, will take control of Peiraiki-Patraiki, a troubled textile company.

The Socialist press regularly publishes the names of companies that supposedly are about to suffer the same fate as Heracles. After France's Socialist government asserted that it had obtained a list of foreigners with secret accounts in a major Swiss bank, Prime Minister Papandreou said he had asked President François Mitterrand for a copy of the list.

The Greek business community has begun to strike back. In a speech in October, Theodore Papalexopoulos, president of the Greek Industries Federation, denounced the attack on Heracles, saying that it had "caused serious damage" to the company and to society as a whole.

He said government threats were creating an impression "that nationalization, in one form or another, of all private enterprises is imminent and that we are moving toward an economy that will have central control of all activities."

Such a climate, he went on, "destroys not only entrepreneurial creativity but also the ability to operate on a day-to-day basis, with grave consequences for the whole economy."

Mr. Tsatsos describes the attack on his company as "political." The government always knew what Heracles was up to, he declared, since it controls the company through a 40 percent stake held by the state-owned National Bank, which has four directors on the company's board.

Shell companies, he said, were set up abroad not for currency smuggling but to hide the identity of Arab business partners who helped Heracles diversify into cement-carrying after the first oil-price shock. The company became a major supplier in the Persian Gulf area, winning 8 percent of the world cement trade.

Greece's Socialists, Western diplomats feel, have ample reason for distracting their supporters' attention from everyday realities.

The Greek economy continues to crumble. Production has been declining since 1981, inflation is at a 20 percent annual rate, the budget deficit remains enormous and unemployment is 8 percent and rising.

U.S. Recovery Is Slowing

(Continued from Page 17)
ing, a marked rise in housing activity and growing replenishment of companies' stocks.

In large part because of strength in those three areas, the inflation-adjusted gross national product expanded at a 9.7 percent rate in the second quarter this year, and 7.7 percent in the third quarter. That was achieved with only a modest increase in prices, and economists expect that low inflation will continue.

With an increase of four-tenths of 1 percent in the Consumer Price Index in October, for example, inflation so far this year is running at an annual rate of 3.9 percent.

Rapid inventory buildup is almost sure to continue, but economists said that housing activity and consumer spending are unlikely to rise from current levels.

Alan Greenspan, president of Townsend-Greenspan, an economic consulting firm, said: "It is true that with realized capital gains on homes, stocks and bonds slowing down and a modest rise in the personal savings rate, consumer markets will not be the major leaders they have been in the first part of the recovery."

NEW EUROBOND ISSUES

Straight	FRN	Warrant	Conv.	Issuer	Amount (millions)	Maturity	Coupon %	Price	Yield At Offer	Terms
	•			Allied Irish Bank	$100	1995	¼	100	[illegible]	[illegible]
	•			Bank of New York O'seas	$ 75	1996	⅛	100	[illegible]	[illegible]
•				Bank of Tokyo	$100	1990	11⅞	100	[illegible]	[illegible]
	•			Belgium	$400	2005	⅜	100	[illegible]	[illegible]
•				British Columbia	$125	1993	12	open	[illegible]	[illegible]
		•		DG Bank Finance	0.75	6 mos.	—	17	[illegible]	[illegible]
•				EIB	$250	1991	8	99¼	[illegible]	[illegible]
	•			European-Amer. Banking	$ 75	1994	11⅝	100	[illegible]	[illegible]
•				McDonald's Finance	$ 75	1994	11⅜	100	[illegible]	[illegible]
		•		McDonald's Finance	0.75	1988	—	[illegible]	[illegible]	[illegible]
			•	Mitsubishi Heavy Ind.	$100	1999	open	100	[illegible]	[illegible]
•				Prudential O'seas Fund.	$150	1993	10⅞	100	[illegible]	[illegible]
		•		Prudential O'seas Fund.	0.10	1988	—	[illegible]	[illegible]	[illegible]
	•			Security Pac. Nat'l Bk	$100	1988	[illegible]	100	[illegible]	[illegible]
		•		Veba Int'l Finance	$ 70	1993	8	100	[illegible]	[illegible]
•				Fecsa	DM 80	1990	9	99	9.20	Noncallable.
•				IADB	DM150	1993	8¼	99	8.40	Noncallable.
•				Int'l Standard Elec.	DM100	1990	7¾	100	7¾	Noncallable.
		•		Veba Int'l Finance	DM300	1993	4	100	4	Each 1,000 Deutsche mark bond carries two warrants to buy 8 Veba shares at 166 DM.
	•			Crédit National	£100	1995	⅛	100	[illegible]	[illegible]
•				European Community	ECU50	1993	11	open	—	Sinking fund to start in 1985 to produce a 6½-yr average life. Price to be set Dec. 5.

Rate Concerns Drive Away Eurobond Investors

(Continued from Page 17)
has raised $150 million at a very favorable rate of interest of 10⅞ percent.

An outright flop was the planned issue of $20-million convertible for Computer Products of the United States. The issue was cancelled.

Better received was the offering from VEBA, the West German energy holding company. It offered $70 million of 10-year bonds bearing a coupon of 8 percent and 300 million DM ($111 million) of 10-year bonds bearing a coupon of 4 percent.

Each $1,000 bond carries two warrants to buy, in all, 21 shares at a price of 166 DM each. Each 1,000-DM bond carries two warrants to buy, in all, eight shares at the same price.

Without the warrants, the dollar bonds were trading at a discount to yield 12.7 percent and the DM bonds at a yield of 8 percent. But as a package, reflecting the value of the warrants, the dollar issue was trading at a premium of 101½-103 and the DM bonds, at 102¼-103¼.

The DG Bank warrants, which were cut from the initial offering of 100,000, were offered at $17 each but ended the week at $10 bid, $14 offered. The short six-month life was considered particularly unattractive.

Explaining that short life is the fact that Manufacturers Hanover Trust has a client willing to swap the cost of the 11⅞ percent bonds into floating-rate money for DG Bank. But the client does not want to carry this exposure for more than six months.

The major news about the swap market last week came from Japan, where the Finance Ministry, in a rare departure from its normally secretive ways, spelled out new guidelines for yen swaps against the dollar and the Swiss franc through foreign bond issues by private Japanese borrowers. Up to now, currency swaps have only been allowed for bonds guaranteed by the government.

The action follows a government decision this month to allow private Japanese firms to float Euroyen bonds. The changes all take effect on the same date, next April 1.

The instruments to be swapped need not be public offerings, as was the case, and it will no longer be necessary to divulge who the counterparty is. But the swap must be arranged through an intermediary.

Required to be reported to the Finance Ministry, however, is the forward exchange rate used in the transaction and the net cost to the Japanese issuer.

For the Euroyen market, the ministry's only restriction is that the lead manager must be a Tokyo-incorporated (that is, Japanese) securities house. However, for issues arranged in the U.S. domestic market, a Japanese firm must be at least a joint lead manager or the first, out of alphabetical order, comanager.

While the bond issues may not cost companies any less than in the domestic market, one big difference is that all domestic corporate bond issues are guaranteed whereas this, it is expected, will not be needed abroad — at least not for the top-rated companies. But most important, the moves are expected to alter rigid domestic market practices and add more competition to the setting of terms and conditions.

The swaps will also allow companies to shop for interest charges that are below those offered at home.

In the DM sector, bankers complained that the scheduled flow of issues was too big for the current level of investor demand. The 80-million-DM issue for Fecsa, the Spanish electricity utility, had its offering price cut from the indicated par to 99.

The latest issue to be launched was 250 million DM for the European Investment Bank. The eight-year bonds, bearing a coupon of 8 percent, were priced at 99¼ to yield 8.04 percent.

In the sterling market, a £100-million ($146-million) floating-rate note for Crédit National of France, a companion loan to a syndicated bank credit, was not well received. Interest is to be fixed at ⅛-point over the three-month sterling interbank rate, but the notes were quoted at a discount of 1.15 points and traders suspected it was holding there only because the lead manager was supporting it.

International Herald Tribune

Dorchester Says Firm Wants to Buy It

New York Times Service

NEW YORK — Dorchester Gas Corp. of Dallas said that a private company is attempting to arrange financing for a possible buyout of Dorchester. It did not identify the company.

Based on Dorchester's closing price of $17.25 Friday on the American Stock Exchange, the transaction would be valued at nearly $300 million.

George S. Rooker, Dorchester's chairman, made the announcement Friday in explaining the heavy volume in the company's stock Wednesday. Dorchester finished that day up $3.50, at $16.25, on trading of 182,800 shares.

Mr. Rooker said that terms of a buyout had not been determined and that Dorchester had not received an offer of an acquisition or merger.

(Continued From Page 18)

[illegible]

Over-the-Counter

[illegible]

Treasury Bills

[illegible]

Source: Federal Reserve Bank

Consolidated Trading Of NYSE Listings

Week Ended Nov 25

[illegible]

C&W Shares Sale Likely to Draw Many

(Continued from Page 17)

many of them formerly part of the empire. The company acts as a consultant in about 30 more countries and operates five cable-laying ships.

C&W milked its franchise business for fat profits last year because heavy capital investment on satellites, earth stations and cables in the 1970s has largely been paid off. But those profits tend to draw in competition, and analysts are relieved to see C&W branching out.

The three main focuses of the diversification are China, Britain and the United States.

Though analysts see huge potential in China, some are uneasy. Worry over the political future of Hong Kong has dragged down C&W's shares for much of this year. The company derives a major share of its profit from Hong Kong and last March deepened its involvement by buying 35 percent of Hong Kong Telephone Co. for £143 million.

C&W is demonstrating, however, that it can play ball with China despite market unease over Hong Kong's future. The company is building a microwave-telecommunications network in the southern Chinese province of Guangdong and is helping to provide communication services for oil exploration in the South China Sea.

This month, C&W announced another joint venture with the Chinese government, this time to provide phone services in Shenzhen, a zone bordering Hong Kong that China is trying to develop as a magnet for foreign investment.

Although C&W is well-placed for business in China, other Western telecommunication companies are also fighting for contracts there. Moreover, the political risks are considerable. China's flirtation with Western business is "very much a radical step to be taken by a Communist country," a London analyst notes, adding that "a change in government could mean a change in policy."

In Britain, C&W owns 40 percent of Mercury Communications PLC, a new company laying optical-fiber cables along railroad tracks to provide an alternative to British Telecom's long-distance voice and data services. Union resistance to the breaking of BT's monopoly has slowed the project, but most analysts believe that the government is committed to helping make Mercury a success.

In the United States, C&W has a telephone-manufacturing plant and a data-communications network. This year, it announced plans to join with the Missouri-Kansas-Texas Railroad to set up a long-distance network along the railroad's tracks.

More than 400 U.S. companies already offer long-distance service in competition with American Telephone & Telegraph Co. Most of these companies are small and lease circuits from AT&T. C&W hopes to gain an advantage by having its own circuits to rent out.

Ernest Potter, C&W's finance director, acknowledged in an interview that C&W is hardly getting in on the ground floor of the U.S. market. But, he said, "to use the expression of a former Chinese staff member of mine, I hope we can do it 'more better.'"

China Seeks a Role In European Plane

Reuters

PARIS — China is negotiating with French and Italian makers of the ATR-42 short-haul airliner about taking part in its construction, a spokesman for the European consortium said.

A Chinese technical team has visited the French and Italian consortium, Cie. Avion de Transport Regional, and talks about Chinese participation in the program by the Xian Aircraft Corp are under way, the spokesman said Friday.

The Chinese are negotiating to take part in construction of any aircraft sold to China. The consortium developing the aircraft, a twin turbo-prop plane that can carry 50 passengers, is run jointly by France's Aérospatiale and the Italian Aeritalia SPA companies.

Consolidated Trading Of AMEX Listings

Week Ended Nov. 25

	Sales	High	Low	Last	Ch'ge
EchoB	871,300	6½	5⅝	6⅜	+¼
PetLea	836,900	11⅜	10⅝	11	+1⅜
WangB	811,300	34⅝	33½	33⅞	
Telsph	721,400	6⅜	4¼	5⅛	—1
CoreLb	553,300	25⅜	20¼	25⅜	+5⅜
CrysID	504,600	17⅞	16¼	17⅜	+2⅜
DomeP	502,300	7⅞	7⅛	7½	—⅛
PetLe pf	451,000	24⅝	23⅜	24¾	+1½
InstSy	424,000	3	2⅝	2⅝	—⅛
PallCo	418,400	34½	71	33⅝	+2¼

Volume: 25,360,000 shares
Year to Date: 1,914,330,009 shares
Issues traded in: 916
Advances: 463 ; declines: 300
Unchanged: 153
New Highs: 46 ; new lows: 34

NEW YORK (AP) — The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

Mutual Funds

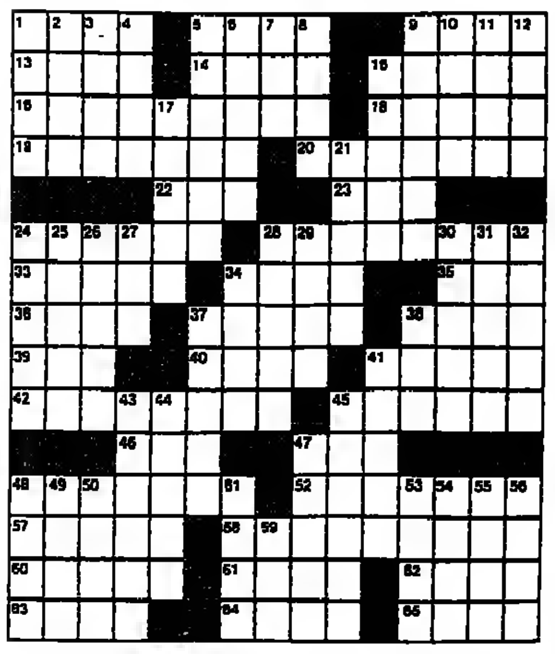
Closing Prices Nov. 25, 1983

[illegible]

Kredietbank Indices

Nov. 25

[illegible]



ACROSS
1 One way to draw
5 Venison source
9 Elbe feeder
13 Seafood
14 Singer Fitzgerald
15 Party's choice
16 Seafood
18 Italian dish
19 Those in a race
20 Seafood
22 Before, poetically
23 Hesitant sounds
24 Seafood
28 Seafood
33 Pieces of gossip
34 Regain one's spirits, with "up"
35 Greek letter
36 Some can't make them meet
37 Salty drops
38 Thai monetary unit
39 Pandowdy
40 Samovars
41 Menu word for "embellished"
42 Seafood
45 Seafood
46 Pub order
47 Day of rest: Abbr.
48 Seafood
52 Interweaves
57 Sound
58 Seafood
60 Full of pep
61 Superb
62 City NNW of Carson City
63 Mandolin's cousin
64 Aviary sound
65 Butler's rival

DOWN
1 To be, to Virgil
2 Shut-Eye, in a Field poem
3 Blob, as of cream
4 German title
5 Postpones
6 Beethoven's "Für ——"
7 They loop the Loop
8 Cheers
9 Pass, as time
10 Catch one's breath
11 Small: Suffix
12 Bring up
15 Fire starter
17 Consumes less
21 Narrow stretches of land
24 —— out (leaves for a short time)
25 Craze
26 Church governor
27 French pronoun
28 Money
29 Air-terminal signs: Abbr.
30 Fortify again
31 Race: Comb. form
32 Nero's tongue
34 Marquette's title
37 Piano worker
38 French dance
41 House part
43 A case (see 32 Down)
44 —— France
45 Wes, the miler
47 Cod catcher
48 Track
49 River to Korea Bay
50 Thin opening
51 Ruthian wallop
53 A hairdo
54 Pale blue hue
55 A.-S. domestic slave
56 Scat's cousin
59 Mel Allen's "—— about that!"

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DENNIS THE MENACE

"IF HE WAS A SUBSCRIPTION, I'D CANCEL HIM."

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

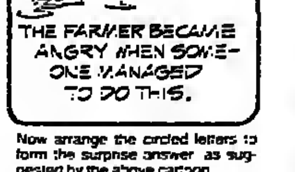
Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

ABOOT

GLAVE

TOYBUN

MADGEA



Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: HIS

(Answers tomorrow)

Friday's Jumbles: FISHY OTTO TINKLE BELFRY
Answer: Kids' clothes will stay clean much longer if you keep them this — OFF KIDS

WEATHER

EUROPE

	HIGH C	HIGH F	LOW C	LOW F	
Algarve	—	—	—	—	na
Athens	12	54	10	50	cl
Amsterdam	11	52	10	50	r
Belgrade	17	63	2	36	o
Berlin	15	59	10	50	o
Brussels	11	52	11	52	r
Bucharest	6	43	—5	23	cl
Budapest	8	46	1	34	cl
Copenhagen	7	45	7	45	r
Costa Del Sol	25	77	18	64	cl
Dublin	15	59	7	43	r
Edinburgh	7	45	7	45	o
Florence	17	63	8	46	o
Frankfurt	13	55	12	54	sh
Geneva	12	54	11	52	cl
Helsinki	—4	21	—7	19	o
Istanbul	13	55	10	50	fr
Las Palmas	27	81	20	66	fr
Lisbon	19	66	16	61	o
London	11	52	10	50	r
Madrid	16	61	11	52	cl
Milan	5	41	5	41	r
Moscow	3	38	0	32	r
Munich	11	52	9	48	r
Nice	[illegible]	[illegible]	12	54	o
Oslo	—1	30	—2	28	o
Paris	12	54	12	54	o
Prague	13	55	9	48	sh
Reykjavik	—2	28	—2	28	sn
Rome	20	68	12	54	o
Stockholm	—1	30	—2	28	o
Venice	5	41	4	39	o
Vienna	11	52	0	32	r
Warsaw	7	45	7	45	r
Zurich	12	54	9	48	sh

MIDDLE EAST

	HIGH C	HIGH F	LOW C	LOW F	
Ankara	8	46	—3	26	cl
Beirut	18	64	16	61	cl
Damascus	17	66	6	43	fr
Jerusalem	17	63	7	45	fr
Tel Aviv	23	73	12	54	cl

OCEANIA

	HIGH C	HIGH F	LOW C	LOW F	
Auckland	—	—	—	—	na
Sydney	24	75	17	63	o

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	26	79	17	63	cl
Beijing	12	54	—5	23	fr
Hong Kong	19	66	12	54	fr
Manila	30	86	24	75	o
New Delhi	23	73	10	50	fr
Seoul	7	45	—5	23	fr
Shanghai	12	54	4	39	cl
Singapore	28	82	23	73	o
Taipei	23	73	15	59	o
Tokyo	14	57	5	41	fr

AFRICA

	HIGH C	HIGH F	LOW C	LOW F	
Algiers	20	68	10	50	fr
Cairo	24	75	13	55	fr
Cape Town	22	72	16	61	fr
Casablanca	21	70	10	50	fr
Harare	27	81	16	61	fr
Nairobi	23	72	17	63	o
Tunis	20	68	12	54	cl

LATIN AMERICA

	HIGH C	HIGH F	LOW C	LOW F	
Buenos Aires	—	—	—	—	na
Lima	25	77	19	66	o
Mexico City	23	82	8	46	cl
Rio de Janeiro	26	79	17	63	fr
Sao Paulo	22	72	17	63	cl

NORTH AMERICA

	HIGH C	HIGH F	LOW C	LOW F	
Anchorage	0	32	—3	26	cl
Boston	10	50	1	34	fr
Chicago	10	50	3	38	r
Denver	—2	28	—12	10	pc
Detroit	3	46	—1	30	cl
Honolulu	30	86	20	68	fr
Houston	18	64	11	52	cl
Los Angeles	20	68	6	43	fr
Miami	28	82	21	70	pc
Minneapolis	—3	26	—8	18	sn
Montreal	3	32	—1	30	fr
Nassau	28	82	23	73	pc
New York	11	52	4	39	pc
San Francisco	15	59	8	46	fr
Seattle	8	46	4	39	r
Toronto	5	41	0	32	cl
Washington	16	61	4	39	cl

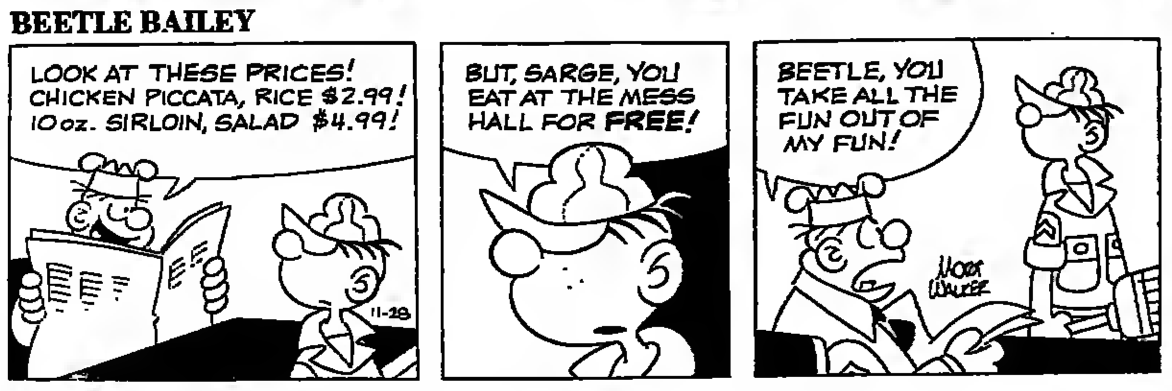
cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy

MONDAY'S FORECAST — CHANNEL: Heavy. FRANKFURT: Unstable and showers. Temp. 12-9 (54-42). LONDON: Unstable. Temp. 11-7 (52-45). MADRID: Partly cloudy. Temp. 15-10 (59-50). NEW YORK: Rain. Temp. 8-4 (46-39). PARIS: Variable. Temp. 11-8 (52-46). ROME: Unstable and showers. Temp. 14-10 (57-50). TEL AVIV: Partly cloudy. Temp. 21-12 (70-54). ZURICH: Unstable and showers. Temp. 10-8 (50-46). BANGKOK: Mist. Temp. 27-17 (81-63). HONG KONG: Fair. Temp. 19-12 (66-54). MANILA: Cloudy. Temp. 29-22 (84-72). SEOUL: Fair. Temp. 6—4 (43-25). SINGAPORE: Thunderstorms. Temp. 27-24 (81-75). TOKYO: Fair. Temp. 11-5 (52-41).

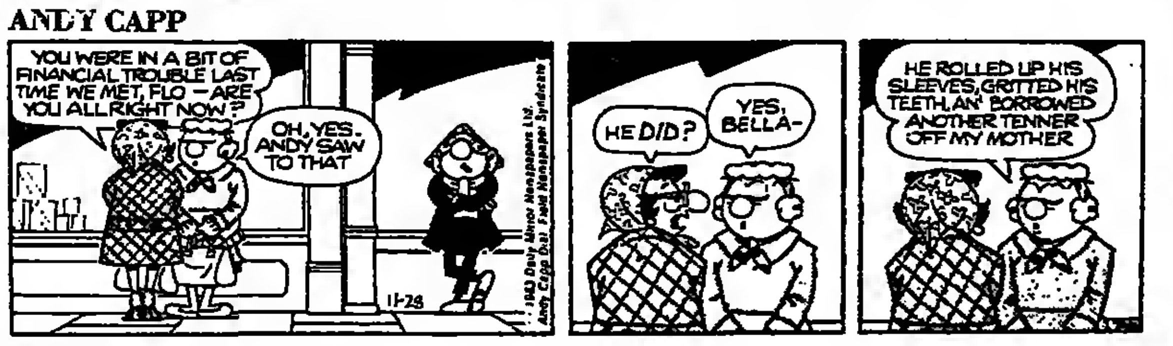
PEANUTS

BLONDIE

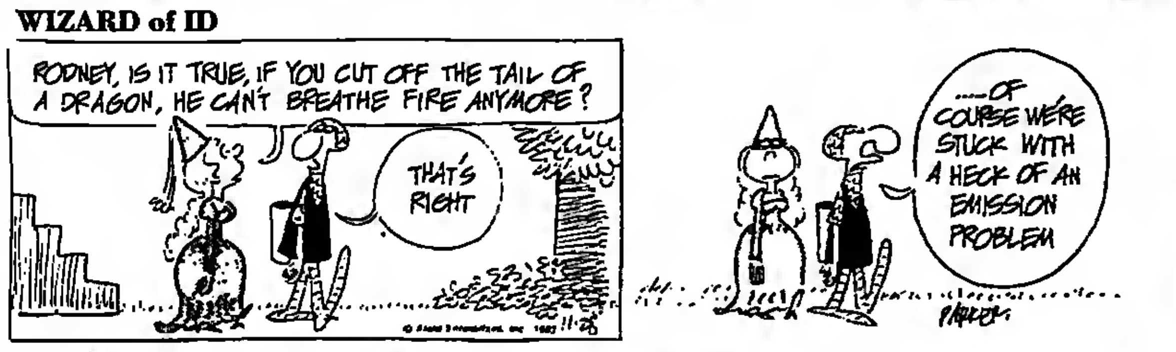
BEETLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN

GARFIELD

BOOKS

MARCOVALDO
or The Seasons in the City

By Italo Calvino. Translated from the Italian by William Weaver. 121 pp. $9.95 hard cover; $3.95 paperback.
Helen & Kurt Wolff/Harcourt Brace Jovanovich, 757 Third Avenue, New York, N.Y. 10017.

Reviewed by Anatole Broyard

WHILE Umberto Eco has been on the best-seller list for 20 weeks with "The Name of the Rose," Italo Calvino is the Italian writer who seems to cause the most excitement among American readers. With three books especially — "Cosmicomics," "Invisible Cities" and "If on a Winter's Night a Traveler" — Calvino has earned comparisons with Jorge Luis Borges and Gabriel García Márquez. After decades of Italian neo-realism in the works of authors like Alberto Moravia, Elio Vittorini and Cesare Pavese, Calvino's fictions appear to be closer to the fantastic Italy of a Fellini film or a painting by Giorgio de Chirico.

He is seen by some critics as an emancipation, as a writer who has brought back humor, lightness and freedom of invention to contemporary Italian fiction. Others find him too light, or all light and no shadow, no substance. He is clever and witty, they concede, but all surface. Italy, it seems, has grown used to taking itself very seriously and is resisting, in fiction at least, the anarchic pleasures of the international modern style.

"Marcovaldo" reads like an attempt to satisfy both schools of thought. The hero for whom the book is named is a Chaplinesque figure posed against the background of a drab and nameless industrial city in the north of Italy. Marcovaldo is Calvino's Candide, his image of an innocent who survives the 1950s and '60s in a modern metropolis by willfully misreading reality, as Chaplin did, by opposing his optimism to its negative influences.

Since all 20 of these very short stories feature the same character, "Marcovaldo" might just as easily be read as a novel. In fact, some of the stories are so slight that without the support of the others, they seem negligible. Taken together, they have a mild charm. The catch is, though, that when a complex man like Italo Calvino writes mildly charming stories, a number of critics will feel obliged to read into or beyond them, to see them as the tip of an imagined iceberg. Each story will be taken as a conundrum, when it is closer to a cartoon. Calvino himself has said that he has borrowed some of the techniques of the comic strip.

An unskilled laborer with a wife and several children to feed, Marcovaldo is always searching his city for some sign of a relenting. In one story, he finds this relenting in the form of mushrooms springing up under the city's trees. As it turns out, the mushrooms are poisonous. Yet, because there are not enough of them, the poison is not fatal. Marcovaldo and his family enjoy the poisoned, metropolitan pleasure of eating the mushrooms and surviving them. In Calvino's work, irony too springs up underneath the city's trees.

On a hot night, Marcovaldo tries to escape his tiny, stifling apartment by sleeping on a bench in one of the city's squares. The bench, however, is occupied by a pair of lovers having one of those quarrels in which the passion of the participants is unequal to the difficulties of syntax, so that their argument loses itself in language. For Marcovaldo, they are like the insomnia of the city dweller.

In another story, a herd of cattle passes through the streets in the middle of the night and the whole family wakes up to see it. The story is turned away from this promising epiphany, though, when the eldest boy runs off with the herd and returns, months later, disillusioned with the pastoral life.

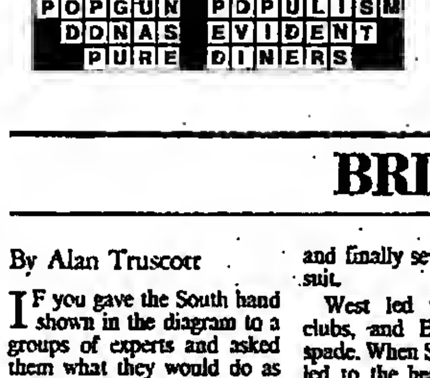
A piece about a heavy snowfall gives Calvino a chance to transfigure the city, to see it as an intellectual Santa Claus might. In another story or chapter, Marcovaldo comes out of a Technicolor movie to find the city shrouded in fog, blurred and disguised, as it were, by his uncritical and romantic imagination. As the only remaining inhabitant of the city during August, the traditional month for vacations, Marcovaldo is interviewed by a television crew. But after another interesting beginning, the story slips away into a series of familiar ironies.

This may be the trouble with Marcovaldo and with Calvino's work in general: It leans almost entirely on irony, but of a rather bland or schematic kind. One feels, in reading the book, a sort of fatigue in regard to irony, like the fatigue some of us felt with novels about sex in the '60s. Like sex, irony needs flesh on its bones or it becomes just one more of Ezra Pound's "accelerated grimaces."

Calvino invents, but he does not persevere. His most popular book in America, "If on a Winter's Night a Traveler," consists of 10 beginnings of novels, and one is reminded of the writer in the Donald Barthelme story who could not do middles. For all his supposed "freedom" of imagination, Calvino is like a blocked writer who is forever starting brilliant books and not quite finishing them. It may be a sign of our restless times. One can imagine a literature composed exclusively of beginnings, incomplete stories and novels for people too impatient, or too clever, to follow anything to a conclusion.

Anatole Broyard is on the staff of The New York Times.

Solution to Friday's Puzzle



BRIDGE

By Alan Truscott

IF you gave the South hand shown in the diagram to a groups of experts and asked them what they would do as dealer, you would get at least three answers and perhaps four. Some would pass, feeling that they had too much side strength for a three bid and were not strong enough for a one bid. Others would bid one heart or three hearts, and a few might even bid two hearts, making eccentric use of the weak two bid.

Precision System players would tend to bid one heart, for they open more freely than standard bidders. On this deal, South bid one heart and landed in four hearts. His repeated heart bids suggested five, six and finally seven cards in the suit.

West led the A-K-10 of clubs, and East gave up a spade. When South ruffed and led to the heart ace, the appearance of the queen on his left gave him something to think about. He decided that it was a true card, thus a singleton, and laid his plans accordingly.

It was vital to shorten the trump in the closed hand, so declarer cashed the spade ace, sacrificing his king, and ruffed a spade. He crossed to the diamond ace and ruffed another spade, reducing his trumps to the same length as East.

The diamond queen and the diamond king left the lead in dummy. When the last spade was led, East ruffed with the heart ten. South carefully underruffed with the seven and scored the last two tricks with the K-9 over East's J-8.

NORTH
♠A643
♥A
♦AK1042
♣975

WEST
♠J872
♥Q
♦63
♣AK10843

EAST
♠Q1095
♥J1085
♦J97
♣J2

SOUTH (D)
♠K
♥K976432
♦Q85
♣Q6

Neither side was vulnerable. The bidding:

South	West	North	East
1♥	2♣	2♦	Pass
2♥	Pass	2♠	Pass
3♥	Pass	4♥	Pass
Pass	Pass		

West led the club ace.

During an NBA game Friday night at Boston Garden, Kevin McHale of the Celtics blocked Dan Roundfield's shot and then got a leg up on the Atlanta forward by swiping the ball. Boston triumphed, 109-102.

The Associated Press

NBA Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Philadelphia	11	3	.786	—
Boston	10	5	.667	1½
New York	9	5	.643	2
New Jersey	8	9	.471	4½
Washington	6	9	.400	5½

Central Division

	W	L	Pct.	GB
Milwaukee	9	6	.600	—
Atlanta	8	6	.571	½
Detroit	7	8	.467	2
Chicago	5	7	.417	2½
Cleveland	3	11	.214	5½
Indiana	3	11	.214	5½

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
Dallas	10	4	.714	—
Denver	8	7	.533	2½
Utah	7	9	.438	4
Kansas City	6	8	.429	4
San Antonio	6	9	.400	4½
Houston	5	9	.357	5

Pacific Division

	W	L	Pct.	GB
Portland	11	4	.733	—
Los Angeles	10	4	.714	½
Golden State	8	8	.500	3½
Seattle	7	8	.467	4
Phoenix	5	10	.333	6
San Diego	5	11	.313	6½

Friday's Results

Boston 109, Atlanta 102 (D. Johnson 25, Bird, Parish 22; Roundfield 33, E. Johnson 22).

Washington 122, Detroit 111 (Ruland 28, Johnson 22; Tripucka 31, Laimbeer 21).

Philadelphia 115, Houston 101 (Malone 24, Erving 20; Sampson 20, Lloyd, Reid 14).

Golden State 115, Indiana 105 (Johnson 22, Short 21; Williams, Kellogg 21, Walters, Carter 11).

Dallas 98, Kansas City 96 (Aguirre 28, Blackman 21; S. Johnson 24, E. Johnson 17).

San Antonio 122, San Diego 120 (Gervin 34, Banks 17; Pierce 31, Cummings 24).

Utah 124, Denver 104 (Dantley 26, Griffith 21; Issel 24, Vandeweghe 21).

Phoenix 120, Chicago 96 (Nance 24, Lucas 22; Wiggins 22, Dailey 16).

Los Angeles 127, New Jersey 123 (Abdul-Jabbar 27, Wilkes 25; Birdsong 29, King 21).

Portland 128, Seattle 110 (Carr 18, Paxson 16; Sikma 20, Williams, Wood 17).

Saturday's Results

New York 96, Cleveland 84 (Cartwright 21, Sparrow 18; Free 25, Hubbard 15).

Atlanta 115, Houston 109 (Wilkins 25, Rivers 21; Sampson 29, Bailey 27).

Dallas 115, Golden State 109 (Aguirre 26, Blackman 17; Short 22, Floyd 24).

Kansas City 117, Utah 116 (E. Johnson 23, Knight 21; Dantley 30, Drew 21).

Milwaukee 109, Washington 92 (Johnson 22, Moncrief 21; Malone 17, Sobers 18).

Denver 107, Phoenix 104 (Vandeweghe 25, English 24; Davis 20, Edwards 21).

New Jersey 124, San Diego 122 (Birdsong 30, Williams 22; Cummings 17, Walton 14).

Portland 122, Seattle 94 (Paxson 20, Natt 14; Sundvold 19, Vranes, King 15).

Coe Getting Back on Track for Olympics

By Malcolm Moran
New York Times Service

NEW YORK — The rain was falling hard enough to make umbrellas necessary at 7:45 Friday morning, when Sebastian Coe went for his run, and the wind was strong enough to turn those umbrellas inside out. On a morning that was perfect only for rolling over and going back to sleep, Coe left his hotel room, crossed the street, and took off on his first run in Central Park.

For Coe, it was a lovely day for a run.

When he awoke, unlike so many other mornings until the last three weeks plus, there was nothing wrong. He felt fine. "Not fit, but healthy," he said. "I don't feel I want to fall asleep all the time."

The amount of time from now until the 1984 Olympic Games can still be measured in weeks or training periods; not in days or individual sessions. The Olympic clock is ticking, but not too loudly. There seems to be enough time for Coe to do what he must do to defend the gold medal he won in the 1,500-meter run at the Moscow Games, or to improve upon his silver medal in the 800 or to set a standard for 5,000. Coe has been able to run consistently fast partly because he allows common sense to dictate when he should slow down.

The illness and injuries that have complicated his preparations for the Olympics appear to have subsided. The stress fractures in his left foot and his right leg, the muscle problems, the soreness in his back, the ache in his stomach and the case of toxoplasmosis, a glandular infection, all seem to be worries of the past.

At 27, Coe has a simple plan for Los Angeles. "To stay healthy," he said.

He appeared at Somerset, New Jersey, on Friday to deliver two lectures — a 45-minute session on "Olympic Impressions" and an hourlong talk entitled "Evolution of 1:41.8 and 3:47.3." Coe is considered an authority on those figures: He ran 800 in 1:41.8 (actually 1:41.73) at Florence on June 10, 1981, and he ran a mile in 3:47.33 at at Brussels on Aug. 28 of the same remarkable summer. No one has run faster at those distances.

Coe is hoping to become an authority on lower figures and another Olympics. He had originally considered retirement after the Los Angeles Games, but those plans have been changed. Next year, after a second Olympics and nearly two decades of competition, had seemed a good time to go on to something new. "A reasonable point to leave," Coe said.

He has his undergraduate degree in economics and social history from Loughborough College, and he is working on a master's degree in philosophy. Now he speaks of two lost years of competition, and he challenges the idea that the most productive days of his career would be behind him when he turns 30.

He is making a series of appearances on behalf of a series of cross-country championships for high school runners. His schedule will have taken him to Illinois, Ohio and Louisiana before he hits the West Coast for the national championship meet in San Diego on Dec. 10.

Before his serious preparation begins, there is this chance to see America and discover new jazz clubs.

"Where is Baton Rouge?" Coe asked his father and coach, Peter Coe.

"A little bit inland, left, and up from the water," his father said, and winked.

Together, they will search for the proper training pace. The process will be delicate and the plans must be flexible. "The most important thing is I don't have any pressures now, as far as competing goes, or feeling I have to compete. I'll pick and choose where and when I want to."

Coe said he may not race until June, and he may use relay legs to develop his speed. "I have to be very aware of how I feel, probably more so than past years," he said. "If I still feel the way I did last year, I have to be careful. Last year, I didn't know why I was feeling tired."

Now he knows, and he can adjust his training schedule if problems develop. "It's really a management technique," his father said.

The management of Sebastian Coe, after the Los Angeles Games, is already limited. A three-inch scar remains in his left armpit, a reminder of surgery to remove a gland. "He'll never be able to advertise an underarm deodorant," his father said, and smiled.

But the pro-Olympic management — how much? how fast? how soon? — is no laughing matter.

United Press International

Coe: Staying healthy is something to think about.

SPORTS

Holmes Stops Frazier at 2:57 of First Round

By Michael Katz
New York Times Service

LAS VEGAS — Marvis Frazier, wearing the same style of green-and-gold embroidered knee-length trunks and robe that his father wore in 1971 when he beat Muhammad Ali in a heavyweight championship fight, did not fit into his father's shoes here Friday night.

Larry Holmes, the undefeated World Boxing Council heavyweight titlist, battered the overmatched son of the former champ and scored a knockout in the first of a scheduled 12 rounds.

Referee Mills Lane stopped the bout at 2:57 of the round after the 23-year-old challenger had been hurt by a straight right hand that had decked him a minute earlier.

The challenger got up and was standing in his corner, taking a pounding, while Holmes signaled again and again for Lane to stop the fight. After another right sent Frazier's mouthpiece out of the ring, the referee finally stepped in.

Frazier was immediately grabbed by his father, who hugged him, and kept repeating: "It's all right, it's all right." Holmes then went over and hugged them both. The champion had worked for Joe Frazier as a sparring partner and respects the family.

Sent out by his father against the champion after only 10 professional bouts, Frazier could not get past the famous Holmes jab. Frazier fought mainly backing up, unable to even approximate his father's aggressive style. He did not land a serious punch.

Frazier did slip a few jabs, but he made a mistake when he dropped his hands and taunted Holmes. Holmes was in no mood for that. He grabbed Frazier and threw him into the ropes. The champion measured him with a few jabs and then sent in the right that rocked him backward. Frazier fell, and as soon as he was up at the count of 8 Holmes resumed the attack.

"Fighters like that are made for me," said Holmes. "I don't have any problems with fighters coming to me or who stand in front of me. They're face fighters, and you don't drop your hands with a man who can throw a jab 100 miles an hour."

The oddsmakers, correct in believing that clothes do not make the fighter, had the 34-year-old Holmes a 4-1 favorite. It was the first time that a son of a former world champion challenged for a world title.

Whether Frazier was fighting for an official title was moot. Although Holmes has been the WBC champion for five and a half years, the organization refused to sanction the bout since Frazier was not one of its top ten challengers. He was ranked No. 11 by the WBC.

But it is traditional that the heavyweight champion — the general public accepts Holmes as just that — always risks his title when he steps in a ring.

Holmes weighed in at a soft 219 pounds. Frazier was a frail-looking 200. Holmes, who entered the fight with a 44-0 record and 31 knockouts, earned $2.5 million for what in effect was his 17th title defense. Frazier, 10-0 in a career interrupted 17 months because of viral hepatitis, got $700,000.

Holmes said on Saturday he was "semiretired" and that only a meeting with Gerrie Coetzee would make him fight again.

"There will not be any more fights for Larry Holmes. I am retired if that fight does not come off. Gerrie Coetzee will override anything I want to do."

Holmes, undefeated in 45 fights with 32 knockouts, is considered among the best heavyweights ever. If a bout with Coetzee, the South African who holds the World Boxing Association title, does not materialize by March, Holmes said, "I'll quit."

If he holds to that statement, there will be no mandatory defense against Greg Page (Holmes has signed for the fight but is unhappy with the money offered him). If he fails to fight Page, the WBC may announce at its annual convention here next month that the top-ranked Page will meet Tim Witherspoon, the No. 2 contender, for the title.

A Coetzee fight could earn Holmes $5 million to $10 million.

Before Friday's fight, Holmes and Frazier had adjoining dressing rooms, and through the thin walls Holmes said he could hear the Frazier clan disparaging him. Holmes obviously does not believe in sparing the rod when punishing a disrespectful child.

But he was more soothing at Saturday's news conference. "Take your time," Holmes told Frazier. "I waited until Muhammad Ali and your father and George Foreman were out of the picture before I made my move. You've got lots of time. Greg Page is over the hill already. Coetzee, he's going in his next fight; and anyway, every time he hits something his hand falls off."

"I would say from last night, I would take the champ's advice," said Joe Frazier, although the 39-year-old former champ said he had "no regrets at all" about having matched his son with Holmes. "What happened could happen to anybody," he said. "We don't have no excuses. We just didn't plan for that right hand."

Spinks Keeps Crown on TKO

The Associated Press

VANCOUVER, British Columbia — Michael Spinks knocked out Peruvian Oscar Rivadeneyra at 1:42 of the 10th round here Friday night to retain his undisputed world light heavyweight title.

Spinks had the challenger in trouble for much of the scheduled 15-rounder, and referee Joe Cortez knocked it just as Spinks dropped Rivadeneyra for the third time in the bout. Rivadeneyra, the World Boxing Association's No. 1 contender, had never before been knocked down before.

Spinks stalked his bloody but game opponent the whole way. He began the 10th with a hard right to the face and then landed a left-left-right-left combination that sent the Peruvian sprawling to the floor against the ropes.

The challenger got his feet at the count of eight. Spinks, throwing punches wildly as he went for the knockout, finally caught Rivadeneyra with a right uppercut; Rivadeneyra slumped to his knees and Cortez jumped in and ended things.

It was Spinks's seventh straight successful defense of the championship he claimed 27 months ago but his first defense of the crown he consolidated nine months ago with a 15-round decision over Dwight Braxton.

Spinks extended his record to 24-0 with 17 knockouts. Rivadeneyra lost for the first time in 20 professional fights. *(AP, UPI)*

■ Thai Wins WBC Title

Payao Poontarat won a split decision over Venezuelan Rafael Orono Sunday to take the World Boxing Council super flyweight title, United Press International reported from Pattaya, Thailand.

Orono opened strongly, but after the sixth Payao stalked effectively and scored with sharp left jabs.

Referee Zachary Clayton and judge Martin Denkin scored the fight 116-112, Payao; judge Charles Hassel saw it 115-113, Orono. Payao now is 17-1, while Orono dropped to 30-3.

United Press International
Larry Holmes, pounding away at Marvis Frazier just before Friday night's bout was stopped.

Riggins, Theismann Pace Redskin Victory

Compiled by Our Staff From Dispatches

WASHINGTON — John Riggins rushed for two touchdowns and Joe Theismann threw scoring passes of 75 yards to Charlie Brown and 17 yards to Art Monk as the Washington Redskins registered a 28-24 National Football League victory over Philadelphia here Sunday.

With their sixth straight triumph, the defending Super Bowl champions clinched a spot in the playoffs, moving into a tie with 11-2 Dallas for the top spot in the

NFL ROUNDUP

National Conference Eastern Division. A seventh consecutive loss eliminated the 4-9 Eagles from playoff contention.

Riggins rushed for 99 yards; he has 1,049 for the season, bettering 1,000 for the fourth time in his career. His two-yard scoring runs in the first half set a new league standard of 21 by rushing in a season. He had shared the record of 19 with Jim Taylor, Chuck Muncie and Earl Campbell.

Theismann completed 16 of 26 passes on the day for 248 yards and two touchdowns. In a losing effort, Ron Jaworski was 19 of 36 for 333 yards and 3 TDs.

The Redskins led, 28-21, at the half. The Eagles got a 32-yard field goal from Tony Franklin midway through the third quarter.

Jets 26, Patriots 3

In New York, Wesley Walker, who had not caught a touchdown pass in nine weeks, hauled in second-half scoring passes of 64 and 4 yards from Richard Todd to spark the Jets to a 26-3 rout of New England. Pat Leahy added field goals of 18, 34, 35 and 19 yards for 6-7 New York, which won for the second time in six days.

Walker caught in his 64-yarder four plays after the Patriots tied the score, 3-3, on Fred Steinfort's 33-yard field goal. He raced past cornerback Raymond Clayborn, pulled in the ball at the New England 20 and sped into the end zone.

Leahy added two field goals in the third period to boost New York's lead to 16-3, and the Jets put the game away 2:20 into the final period on Todd's 8-yard strike to Walker.

New York scored on its first five possessions of the second half to send the Patriots to their second straight loss and a 6-7 record.

New England tied the score after Preston Brown fumbled the second-half kickoff and Keith Lee recovered for the Pats on the New York 27. With rookie quarterback Tony Eason making his first start in place of the injured Steve Grogan, New England moved to the 14 and Steinfort hit from 33 yards.

Bears 13, 49ers 3

In Chicago, Bob Thomas kicked two field goals, Jim McMahon threw a touchdown pass to Dennis McKinnon and the Chicago defense shut down San Francisco's passing attack to lead the Bears to a 13-3 upset over the 49ers.

Thomas kicked a 29-yard field goal in the first quarter and added a 23-yarder in the third. McMahon broke a 3-3 tie with a 49-yard bomb to McKinnon in the second period.

Losing quarterback Joe Montana was pressured throughout as the Bears stopped the third-leading NFL offensive team from scoring a touchdown for the first time in more than two years. The lone 49er score came on a 24-yard field goal by Ray Wersching in the first quarter.

Buccaneers 33, Oilers 24

In Tampa, Florida, Jack Thompson threw four touchdown passes to lead Tampa Bay to its second victory of the year, 33-24 over Houston. The Buccaneers are 2-11; the Oilers fell to 1-12, worst in the league.

Trailing 12-3 at the half, Houston closed to 12-10 on an 81-yard kickoff return by Steve Brown to the Tampa 8 and a 1-yard touchdown by Earl Campbell five plays into the third quarter.

But Thompson hit Kevin House on a 41-yard TD over the middle to make it 19-10 and defensive end Booker Reece intercepted an Oliver Luck pass and returned it 10 yards to the Oiler 13, setting set up a 4-yard touchdown run by James Owens.

Browns 41, Colts 23

In Cleveland, Brian Sipe threw for three first-half touchdowns en route to a 313-yard performance as the Browns beat Baltimore, 41-23. A fourth victory in five games and left the 8-5 Browns one game behind Pittsburgh in the American Conference Central Division.

One of Sipe's TD passes was a 66-yarder to tight end Ozzie Newsome, whose eight receptions on the day made him the most prolific receiver in club history. He surpassed Gary Collins's career total of 331 and his own single-season mark of 69.

Saints 17, Vikings 16

In New Orleans, Wayne Wilson's touchdown dives of 2 and 1 yards, both set up by Ken Stabler passes, carried the Saints to a 17-16 victory over Minnesota.

New Orleans turnovers led to all but three of the Vikings points, and a fumble by Hokie Gajan fumble gave Minnesota a chance to win. But Benny Ricardo, who had kicked field goals of 31, 27 and 32 yards, was wide to the right on a 47-yard attempt with 1:51 to play.

Wilson's 2-yard run late in the first quarter followed Stabler passes of 17 yards to Eugene Goodlow and 12 yards to Jeff Groth. Wilson's 1-yard plunge 2:16 into the fourth quarter gave the Saints a 17-13 lead, coming after Stabler and Goodlow hooked up on a 26-yard pass to the Viking 9-yard line.

New Orleans also scored on Morten Andersen's 25-yard field goal late in the first half, a kick that came after Stabler passed 27 and 12 yards to Lindsay Scott and connected on a 20-yarder to Hobie Brenner. The drive and produced a 10-10 halftime tie. *(UPI, AP)*

Kriek Is Winner In S. African Open

United Press International

JOHANNESBURG — American Johan Kriek won the South African Open tennis championship Sunday by finding his form in the final two sets and edging unseeded Colin Dowdeswell of Britain, 6-4, 4-6, 1-6, 7-5, 6-3.

The No. 6 seed's aggressive play and strong serving — despite 13 double faults — was the key. Dowdeswell's weak first service was rarely a weapon, but he kept Kriek on the run with skillful volleying net-play finesse.

Having previously knocked out second-seeded Kevin Curren of South Africa, Dowdeswell advanced by beating No. 7 seed Vitas Gerulaitis of the United States, 6-2, 6-0, in one of Saturday's semifinal matches. Kriek, meanwhile, was dispatching Brazilian Casaio Motta, 6-2, 7-5.

Durie Beats Jordan

Jo Durie of Britain defeated Kathy Jordan of the United States, 6-3, 7-5, to win Sunday's final of a women's professional tennis tournament, United Press International reported from Sydney. Australian Wendy Turnbull and Briton Anne Hobbs beat Czechoslovaks Helena Sukova and Hana Mandlikova, 6-4, 6-3, in the doubles final.

The Associated Press
Napoleon McCallum cruises past Army defender Gary Bastini; McCallum rushed for 182 yards in Navy's 42-13 rout.

NHL Standings

WALES CONFERENCE

Patrick Division

	W	L	T	Pts.	GF	GA
NY Isles	16	5	0	32	107	83
NY Rangers	14	5	3	31	105	89
Philadelphia	13	5	2	28	95	80
Washington	11	12	1	23	79	85
Pittsburgh	6	15	3	15	73	94
New Jersey	2	20	0	4	57	112
Adams Division						
Boston	14	6	2	30	107	70
Buffalo	13	6	3	29	92	85
Quebec	12	11	3	27	123	96
Montreal	11	11	1	23	95	91
Hartford	9	10	2	20	76	83

CAMPBELL CONFERENCE

Norris Division

	W	L	T	Pts.	GF	GA
Minnesota	11	9	3	25	107	110
Chicago	10	12	2	22	89	103
Detroit	10	10	2	22	84	86
Toronto	10	12	2	22	102	116
St. Louis	9	12	2	20	86	99
Smythe Division						
Edmonton	19	4	2	40	154	102
Calgary	10	9	4	24	84	91
Vancouver	10	12	1	21	97	100
Los Angeles	7	12	5	19	96	110
Winnipeg	6	14	3	15	91	115

Friday's Results

Buffalo 5, Chicago 2 (Tucker (2), Ramsey (3), Housley (11), Perreault (15), Tucker (3); Marsh (3), Gardner (8)).

Washington 3, N.Y. Rangers 1 (Currie (2), Carpenter (6), Gustafsson (10); Pavelich (9)).

Detroit 5, Pittsburgh 2 (Baldirev (8), Yzerman (4), Lambert (1), Duguay (7), Kisio (7); Kehoe (11), Flockhart (7)).

Edmonton 2, Minnesota 2 (Gretzky (27), Lumley (5); Bellows (12), McCarthy (11)).

Saturday's Results

Boston 6, New Jersey 2 (O'Connell (7), Middleton (12), Markwart (7), Pederson (10), Fergus (10), Bourque (11); Ludvig (8) MacMillan (2)).

N.Y. Islanders 9, Chicago 3 (Tonelli 2 (8), Gillies (6), Bossy 2 (20), B. Sutter (13), Gilbert (5), Trottier (13); D. Wilson (6), Savard 2 (9)).

Quebec 3, Buffalo 2 (Stelgher (9), Goulet 2 (13); Tucker (4), Housley (12)).

Washington 5, Montreal 2 (Currie (3), Carpenter 2 (6), Gould 2 (6); Walter (6), Robinson (4)).

Hartford 4, N.Y. Rangers 3 OT (Turgeon (10), Johnson (7), Crawford (8), Stoughton (12); Rogers (11), Larouche (16), Hedberg (11)).

Philadelphia 5, Vancouver 4 (Howe (4), MacLeish (5), Propp (10), Poulin (7), Sittler (7); Smyl 2 (9), Sneepsts (1), Sundstrom (11)).

Detroit 7, Pittsburgh 6 (Lambert (2), Ogrodnick 2 (14), B. Smith (1), Boldirev (9), Larson (6), Manno (6); Bullev (3), Taylor (10), Bullard 2 (14)).

Minnesota 7, Toronto 6 OT (MacAdam (5), Maruk 2 (7), Maxwell (6), Broten 3 (11); Daoust (6), Gingras (4), Anderson 2 (13), Harris (5), McCourt (11)).

St. Louis 8, Edmonton 6 (Sutter (8), Dore (3), Turnbull 2 (11), Hickey (4), Bothwell (1), Mullen (7), Gilmour (5); Kurri (25), Pouzar (4), Messier 2 (9), Jackson 2 (5)).

Calgary 4, Los Angeles 1 (Beers (14), Nilsson (9), Hindmarch (5), McDonald (14); Chorney (2)).

United Press International
With goalie Grant Fuhr making the save and Don Jackson making sure there was no follow-up shot, Minnesota's Dino Ciccarelli was effectively wrapped up during Friday night's first period. A goal by Wayne Gretzky midway through the final period gave Edmonton a 2-2 tie.

Nebraska, Texas Finish Seasons Unbeaten

Navy Crushes Army, 42-13; Boston College Rallies to Defeat Alabama, 20-13

Compiled by Our Staff From Dispatches

NORMAN, Oklahoma — Top-ranked Nebraska and No. 2 Texas both had to rally to complete undefeated regular college seasons Saturday.

Nebraska (12-0) withstood a last-gasp Oklahoma drive that stalled on the Cornhusker 2-yard line before winning, 28-21, behind the 205 yards rushing of Mike Rozier. Texas A&M led, 13-0, in the first half before third-string quarterback Rick McIvor threw four touchdown passes to give Texas (11-0) a 45-13 victory.

College football's national championship probably will be decided either in the Orange Bowl or the Cotton Bowl on Jan. 2. Nebraska plays Miami (10-1) in the Orange Bowl and Texas takes on Georgia (9-1-1) in the Cotton Bowl.

If the top two teams should lose their bowl games, the national title could go to either 9-1 Auburn, which plays Michigan in the Sugar Bowl, or 10-1 Illinois, which plays UCLA in the Rose Bowl.

Nebraska scored two touchdowns in the final 5½ minutes of the third quarter to beat Oklahoma. A 62-yard run by Rozier set up Turner Gill's 1-yard quarterback sneak to tie the score, 21-21, and fullback Mark Schellen ran 17 yards for the winning TD with 35 seconds left in the quarter.

Nebraska's attempt to pad its lead ended with a missed field goal late in the fourth quarter, giving the Sooners a last chance at an upset.

U.S. COLLEGE FOOTBALL

Oklahoma drove into Cornhusker territory, the big play coming on a Dan Bradley-Derrick Shepard pass that moved the ball to the 11.

Earl Johnson carried 9 yards to the 2 on first down, but the Sooners were moved back 5 yards by an offside penalty. Bradley threw an incompletion on third down and cornerback Neil Harris knocked away his pass to Buster Rhymes on Oklahoma's final offensive play.

Schellen also scored on Nebraska's first possession of the game, on a 7-yard run. Rozier had scored on a 3-yard run with 42 seconds left in the first half.

Oklahoma scored on a 39-yard run by Spencer Tillman in the opening period for a 7-7 tie and Rhymes caught a 73-yard touchdown pass from Bradley to put the Sooners in front in the second quarter. Oklahoma broke a 14-14 tie on an 18-yard TD run by Tillman in the third quarter.

Nebraska became the first team in history to score 600 points in one year. The Cornhuskers' 624 points surpassed the 560 scored by Brigham Young in a 12-game 1980 schedule.

Rozier's 205 yards enabled him to become only the second runner in NCAA history to rush for 2,000 yards in one season. He has 2,148 yards; Marcus Allen of Southern California set the record with 2,342 in 1981.

In College Station, Texas, McIvor replaced Rob Moerschell in the second quarter and threw touchdown passes of 12 yards to Bill Roy Bryant and 13 yards to Brent Dubon in the final 1:36 of the half to turn the 13-0 deficit into a 14-13 advantage.

Texas, which won the Southwest Conference title outright for the first time since 1977, scored 31 points in the third quarter, during which McIvor hit Kevin Epps on TD passes of 33 and 60 yards. McIvor had completed only three passes all season going into the game and was listed as doubtful with a sore back.

In games played Friday, Navy rolled over Army while Boston College rallied to defeat Alabama.

Navy 42, Army 13

In Pasadena, California, Eric Wallace scored on a 95-yard return on the opening kickoff and Napoleon McCallum rushed for 182 yards as Navy buried Army, 42-13. The 84th renewal of the rivalry was played for the first time on the West Coast; the entire student bodies of each academy, totaling about 9,000, were airlifted to the Rose Bowl.

After Wallace's opener, Navy ran up two more TDs before the game was four minutes old. Following a fumble recovery on the Army 14, McCallum, who carried 30 times on the day, tallied on a 14-yard run. Then Steve Brady intercepted a Rob Healy pass and returned it 65 yards for a score with 3:57 gone.

The opening kickoff return came after McCallum caught the ball at the Navy five-yard line, ran it to the 11 and handed off to Wallace, who scooted down the left sideline all the way to the Army end zone.

Navy's defense held Army to 85 yards on the ground and 180 yards in passing.

Navy finished the year at 3-8, while Army — which has not beaten the Midshipmen since 1977 — was 2-9.

Boston College 20, Alabama 13

In Foxboro, Massachusetts, Bob Biestek caught a 5-yard touchdown pass and ran for a 3-yard score within 83 seconds after Alabama lost two fumbles late in the fourth quarter, as Boston College rallied for a 20-13 victory.

Alabama linebacker Anthony Smiley had broken a 6-6 halftime tie by returning a blocked punt 58 yards for a touchdown with 4:20 left in the third quarter. But the 9-2 Eagles began their comeback when David Thomas recovered a fumble by Kerry Goode at the Alabama 35 with 8:42 left to play. Five running plays set up Doug Flutie's pass to Biestek and the tying touchdown. Brian Waldron, who had missed five of his last seven extra-point attempts, connected to tie the score, 13-13 with 6:29 to go.

On Alabama's next offensive play, Ricky Moore fumbled and Steve Lubischer recovered at the Crimson Tide 34. Two running plays and a 16-yard pass from Flutie to Brian Brennan moved the ball to the 3. Biestek barged over right tackle for the game-winner 5:06 remaining.

The entire first half was played in a lashing rain, and most of the third quarter took place during a power outage.

SMU 34, Houston 12

In Tokyo on Sunday, quarterback Lance McIlhenny's two touchdown passes led Southern Methodist to a 34-12 rout of Houston in the seventh annual Mirage Bowl. SMU built up a 34-6 halftime lead and was never threatened by the outgunned Cougars.

McIlhenny became the winningest quarterback in Southwest Conference history, finishing his career as a starter at 34-4-1. The old record of 33 career victories was held by Bobby Layne, who played for Texas from -47.

Georgia 27, Georgia Tech 24

In Atlanta on Saturday, quarterback John Lastinger ran for one touchdown and passed for another as Georgia held on to beat Georgia Tech, 27-24. Lastinger scored on a 6-yard run in the first quarter and broke a 17-17 tie late in the third quarter when he threw a 4-yard TD pass to Kevin Harris.

Arkansas 16, Texas Tech 13

In Lubbock, Texas, quarterback Brad Taylor guided Arkansas 77 yards to a fourth-quarter touchdown that carried the Razorbacks to a 16-13 victory over Texas Tech. Taylor hit flanker Mark Mistler with clutch passes of 10 and 11 yards and completed an 11-yarder to Donnie Centers in the drive, capped by Carl Miller's one-yard run. Miller scored with 4:29 to play.

Tennessee 34, Vanderbilt 24

In Knoxville, Tennessee, tailback Johnnie Jones ran for 248 yards in leading Tennessee to a 34-24 victory over Vanderbilt. Jones, who rushed for 1,116 yards this season, become the Volunteers' all-time single-season leader. Jones ran 41 yards for a second-quarter touchdown and 70 yards to score early in the final period.

Arizona 17, Arizona St. 15

In Tempe, Arizona, Max Zendejas kicked a 45-yard field goal on the game's final play to give Arizona a 17-15 upset victory over Arizona State. Quarterback Todd Hons had thrown a 21-yard fourth-quarter touchdown pass to Mike Crawford and Luis Zendejas, Max's brother, had kicked three field goals for a 15-14 Sun Devil lead with 13:18 remaining. But with 4:44 left, the Wildcats engineered a nine-play drive from their 37-yard line; the ball was at ASU 28 with three seconds to go when Arizona called time out to set up the field goal. *(AP, UPI)*

College Football Scores

Thursday
Alabama St. 13, Tuskegee 3
Louisiana St. 20, Tulane 7
Memphis St. 45, Louisville 7

Friday
Navy 42, Army 13
Boston College 20, Alabama 13
Long Beach St. 6, Utah St. 3

Saturday
Arizona 17, Arizona St. 15
Arkansas 16, Texas Tech 13
Georgia 27, Georgia Tech 24
Grambling 24, Southern 10
Nebraska 28, Oklahoma 21
Tennessee 34, Vanderbilt 24
Texas 45, Texas A&M 13

Sunday
SMU 34, Houston 12

Transition

BASEBALL
American League
SEATTLE—Named Ben Hines hitting instructor and Vada Pinson minor-league hitting instructor.

FOOTBALL
National Football League
L.A. RAMS—Placed Gordon Jones, wide receiver, on the injured-reserve list.
NEW ENGLAND—Reactivated Steve Nelson, linebacker. Cut John Gillen, linebacker.
United States Football League
NEW JERSEY—Signed Kerry Justin, cornerback, to a four-year contract.
SAN ANTONIO— Named Lary Kuharich offensive coordinator.

HOCKEY
DETROIT—Recalled Joe Paterson, left wing, and Brad Smith, right wing, from Adirondack of the American Hockey League. Sent Jody Gage, right wing, to Adirondack.
NEW JERSEY—Recalled Yvon Vautour, forward, from Maine of the American Hockey League.
N.Y. ISLANDERS—Signed Roland Melanson, goaltender, to a multi-year contract.
QUEBEC—Extended the contract of Michel Bergeron, coach.

COLLEGE
MISSISSIPPI STATE—Named Charles Scott athletic director.

Judge Rules for NFL Player in Labor Case

The Associated Press

WASHINGTON — In a ruling with broad implications for future relations between players and club owners, a federal law judge has held that the National Football League Seattle Seahawks unlawfully cut wide receiver Sam McCullum in September 1982 because of his union activities.

Bernard Ries, a National Labor Relations Board administrative law judge, ordered the team to reinstate McCullum at full back pay. Noting that McCullum subsequently was picked up by the Minnesota Vikings, the judge ordered Seattle to reimburse the player for any costs he incurred in moving to Minneapolis.

The 61-page decision was released late Friday by the NLRB.

The NLRB noted that the Seahawks may appeal the order.

McCullum, Seattle's NFL Players Association representative, was released on Sept. 7, 1982, just before the start of the regular season, which later was interrupted by a two-month players' strike. He was picked up by the Vikings four days later.

The judge said he was persuaded that the NLRB's general counsel "has demonstrated that the release of McCullum was prompted at least in part, and very probably significantly, by his activities on behalf of the union."

The decision in effect implies that the burden of proof will be on club owners to support claims that a player was cut for reasons other than union activity. Section 8 of the NLRA Act of 1935 makes it illegal for management to discriminate against an employee because of union involvement.

Use of Pesticide at Florida Golf Clubs Raises Some Handicaps at 19th Hole

United Press International

DELAND, Florida — Life at central Florida's posh country clubs has changed rapidly with the discovery that a cancer-causing pesticide, EDB, had been used to preserve their greens and fairways.

The DeLand Golf and Country Club used EDB only once on its fairways, but that was enough to contaminate at least one of the club's wells. Now at the 60-year-old clubhouse, hand-lettered signs on the water fountains warn "Do Not Drink" and drinks at the bar are mixed strictly with bottled water. Because there is no clean water to wash dishes, food is served on paper plates. Drinks are served in throwaway cups, and retired business executives cut their filets with plastic knives.

"It was the first time we'd ever used it [EDB]," said Jay Underwood, the club's president. "We were told it was an effective way of controlling insects. There wasn't supposed to be any problem."

The club is one of dozens of Florida courses that used ethylene dibromide, a now-banned pesticide, to keep worms from destroying the greens.

When health officials in the Tampa area began to investigate EDB use last week, they learned that dozens of local country clubs had used it on their courses for years, although none came forward in the months since the chemical has been in the spotlight.

"I guess maybe if I had been using something that turned out to be endangering other people," said a health department spokeswoman. "I'm not certain I would be eager to volunteer that information."

LANGUAGE

Hellos and Goodbytes

By William Safire

WASHINGTON — *Ahoy!* That was the word Alexander Graham Bell chose to be the salutation for his telephone calls. That nautical variant of *Hey!* did not catch on with landlubbers or phonelubbers; most telephonists experimenting with the new device preferred the more conversational *Hello*; thus, *Ahoy!* became AT&T's first divestiture.

Today we are searching for a salutation that befits a new form of communication. Old-fashioned "physical" mail — letters that fold into envelopes, postcards that have to be schlepped on human backs, even notes written on those pink "While you were out" pads — is obsolescent.

Because these machines are in the word-process of revolutionizing mail, language must adapt. We must remember who is in charge: Language comes first; the method of communication comes second. With that firmly understood, we can cave in gracefully to the demands of electronic mail.

"Most electronic mail systems automatically provide some sort of heading for you," explains Richard Wiggins, a systems analyst at Michigan State University's computer lab. "If I were to send a message to you over the mail system program I wrote, it might begin like this: *7 Message from: Richard Wiggins (Date. Hour. Minute. Second.) Lines-22 Seen. Re: Your column on electronic etiquette. Mr. Safire:*"

That's brisk and businesslike. I suppose, but it makes me feel like a cipher, especially since the closing includes a "prompt" of *reply / ignore / delete / output* telling me to reply to the current message, skip it and feel guilty, delete it from my mailbox, or to out my put, whatever that means.

"Thus, the message is surrounded by a system-supplied header at the beginning," writes Wiggins, "and a system query at the end. Still, people often do choose to supply their own greetings and 'signatures.' In my example message above, I chose to include *Mr. Safire*: as a sort of salutation. The type of salutation varies from user to user. Some people begin messages with *Hi there*, and others may put in the word *Greetings*."

Not *Dear*, *My Dear*, or *Dearest*, because electronic mail is — at least in its embryonic stage — less formal than a letter. It is more akin to an interoffice memo or a friendly telephone call, and you do not begin those with *Dear* unless you want to stimulate gossip at the water cooler.

Do computer manufacturers and software creators feel the need for social graces in messages? Evidently so; *user-friendliness* is the jargon for the way to take the hard, mechanical edge off communication between and among people and machines. "I tend to say *Hello*," writes Peter McWilliams, author of "The Word Processing Book." Herbert Cooper of Queens Village, New York, goes further: "I feel electronic mail should be treated just like 'analogue mail.' I always start my messages *Dear So-and-so* and end them *Love, Herb*."

Barry Fellman of Miami disagrees: "Since electronic mail is different from the stuff we've had before, I don't see why we should stick with the old rules of etiquette. Electronic mail should open with a *greetbyte* and close with a *goodbyte*." Perusing this old-fashioned mail about the newfangled mail, I can conclude:

(1) *Dear* will not make the transition from paper to screen.

(2) *Ahoy!* is not a suitable substitute.

(3) Neglect of any personal salutation makes people feel uncomfortable, and a salutation will emerge.

(4) *Hi there!* will not do for a rising tycoon, though it may suffice for a kid breaking into our early-warning radar system.

(5) *Hello* is nice, especially if connected to a first name, but is probably too closely identified with telephone communication.

(6) The leading salutation at the moment is the use of a first name at the start of the body of the message, following the formal name at the top of the address. Wise parents will stop naming children Bill or Mary and will choose Ebenezer or Abigail, setting them apart from all the other potential recipients.

How to conclude? *Thurv*, writes the old hand. *Love*, writes Herb. *Off*, snorts a computer technician. *Over*, *Nothing*, writes a man from IBM. My own preference: REPLY / IGNORE / DESTROY.

New York Times Service

Key West: The 'Conchs' Are Uneasy

By J. Russell King

New York Times Service

KEY WEST, Florida — The sometimes uneasy coexistence of homosexuals and heterosexuals in this island town of 25,000 people was thrust into spotlight by the mayoral campaign that ended this month.

City Commissioner Richard A. Heyman, the 48-year-old owner of an art gallery, ran against former County Commissioner Richard A. Kerr, 47, an electrical contractor and restaurant owner.

Kerr is a "Conch," a native of this isolated island, which was settled over the last 150 years by pioneers who came to fish or to make cigars or to profit from the misfortune of sailors who were unsuccessful in navigating the treacherous coral reefs between the Atlantic Ocean and the Gulf of Mexico. He is a heterosexual.

Heyman, a relative newcomer, moved here 10 years ago from Toledo, Ohio, to become a part of the artistic and literary colony that has flourished here for decades. He is a homosexual.

He is also the new mayor. Kerr's advertising in the final days of the campaign sought to attribute to Heyman a desire to turn Key West into an "obscene playground." But a "live and let live attitude" is said to pervade this diverse community, and the appeal to anti-homosexual sentiment failed: Heyman got 3,775 votes, 53 percent of the total.

"I'm not gay, and I voted for Richard Heyman," said Carolyn Terrell, who sells real estate and has lived here seven years. "Most of the straight people I know voted for him. It wasn't a vote for a gay mayor; it was a vote for good government."

Heyman, who did not campaign as a homosexual rights candidate, also played down the importance of his sexual preference. He said his victory was an indication that people "want good government in Key West, an end to the cronyism and favoritism" that he and his supporters say has influenced local government here in the past.

But some people who supported Kerr said they feared the effects of electing a homosexual mayor, no matter what his politics.

"A lot of people are really scared," Kerr said of the election results. "I've got nothing against gays, don't get me wrong. There are some fine gay people here who contribute to the community. But if we get a big influx of gays in here, some people are going to leave, people with small children and all."

Some who saw this election as fundamentally a locals-versus-outsiders contest labeled it the Conchs' last stand.

Many Conchs, in addition to being displeased with the changing atmosphere of their town, are finding it more difficult to cope with the rising cost of staying here. This is partly a result of the influx of more affluent newcomers, whose arrival has led to higher property values and higher taxes in an already expensive city.

Jeffrey Cardenas/The New York Times

Albert Kee, a native-born "Conch," fishing for red snapper.

The title of Conch is one to which Kerr can lay strong claim; he was born here and his family goes back six generations. But there is dispute about just who is a Conch and who is not. Some apply the term only to descendants of the first settlers, Cockney Englishmen who came here by way of the Bahamas in the early 1800s. But the definition has been broadened, and it now more or less covers anyone who was born here.

Whatever the definition, the sobriquet comes from the conch, the snail-like creature that used to thrive in the warm, shallow waters around here. The tough, chewy meat was long a staple of the Key West diet.

But, like its human namesake, the conch is not as common as it used to be in these parts.

"Between right here and those rocks," said Julian Kee, pointing across the water at a pile several hundred feet away, "you could fill up two burlap bags full." Kee has been looking for conchs for more than 50 years, selling the shells to tourists at the southern tip of the island. There are no conchs along the shore now. "I have to go out to the reef, five miles off, seven miles off, 15 miles off," he says. "And they are still hard to find."

Scientists and conservationists are studying ways to repopulate the conch here in the Keys. "I heard about that," Kee says. "But it won't work. They won't grow when you pen them up. No, the conch's not coming back."

One thing that is coming back, as it does every year, is the tourist influx.

Right now, however, things are relatively quiet. After the Thanksgiving surge the people whose livelihoods depend on the tourist trade are awaiting "the season," from just after Christmas through May.

More than a million people visit Key West each year, according to the Key West Chamber of Commerce. "Some of those people, families, may think twice about coming" if Key West's image as a homosexual resort gets blown out of proportion, Kerr fears.

"Key West does have a very large gay following," says Larry Peters of the Key West Business Guild, an organization of guesthouses, bars and other concerns that cater largely to homosexual visitors and residents. "But some people have the erroneous impression that it's a predominantly gay place, like Provincetown or Fire Island in the summer. That's just not true." Peters said that of the 25,000 residents "*no more than 5,000, if that many, are gay*." He said he could not even guess at the number of homosexual tourists.

This town that lives off tourists, whatever their persuasion, displays an ambivalent attitude toward them. "I suppose it's the same in any tourist town," says Mrs. Terrell, the real estate agent. "We love to see them, but we love to see them leave."

SAN FRANCISCO POSTCARD

An Academy of Dead Fish

By Charles Hillinger

Los Angeles Times Service

SAN FRANCISCO — If you have ever wanted to borrow a dead fish, the place to look is the 130-year-old California Academy of Sciences here in Golden Gate Park. If you have the credentials, they will even mail one to you.

The academy has a gymnasium-sized ichthyology department that houses more than 1.5 million specimens of fish preserved in bottles stored from floor to ceiling.

There are "pickled" fish here from oceans, lakes and rivers throughout the world, from all the continents, from all the seas. It is one of the most comprehensive collections in the world, and some of the specimens date from the 1800s.

Nearly all of the world's approximately 300 research ichthyologists have visited the lab at one time or another, some coming from as far away as the Soviet Union, China, India and Australia.

They come to take fish in bottles off shelves, much as a scholar would withdraw books from the library for a research project.

Often, ichthyologists write to the California Academy of Sciences applying for the loan of a single fish, or several fish, sometimes for as many as 100 fish.

"Most of the loans are short-term, for six months to two years, but some of our fish have been on loan for as long as 35 years," said William N. Eschmeyer, curator of the department of ichthyology.

"Ichthyologists are a tight-knit family. We pretty much know what everyone is studying. Sometimes when an ichthyologist requests certain fish on loan, members of the department will deliver one or more fish to that ichthyologist at a scientific meeting. We hand-carry these fish in plastic bags in our luggage."

Last year the academy sent 4,210 fish on loan through the mail to scientists around the world.

Eschmeyer is the leading authority on stonefish, which have the capability of killing a human, and he has discovered and identified several new species of venomous fish.

He is co-author of the just-published "A Field Guide to Pacific Coast Fishes of North America."

Bill Follett, 82, curator emeritus of the ichthyology department and an academy ichthyologist for 52 years, is studying the family of stichaeid fish common to the California coast: pricklebacks, warbonnets, eelblennys, cockscombs and shanny.

He also is an expert on identification of fish skeletons found in archaeological digs in the Southwest United States.

Tomio Iwamoto, associate curator, is a leading authority on fish found in the deepest parts of the ocean and Tyson R. Roberts is an expert on freshwater fish.

Roberts has written extensively about the loss of many species of fish in recent years. "I worry about that a great deal," he said. "We are losing fish that took millions of years to develop. We cannot afford to lose them."

Fish specimens at the academy include the whale shark, at 60 feet long the biggest of fish, and adult Amazon River herring, the smallest at less than half an inch.

Prize fish in the collection are two of less than 100 coelacanths ever caught. The fish was believed to have been extinct for more than 70 million years until one was brought in by a fisherman in 1938.

The coelacanth, from the waters of the Comoro Islands off the east coast of Africa, resembles a huge bass with unusually long flippers. It is an unexpected survivor of the time when sea creatures first crawled on land.

So rare is the fish that its brains, heart and stomach have been sent separately through the mail by the academy to scientists in far-flung places for study.

British Union Criticizes The Teaching of French

Reuters

LONDON — French is being taught in British schools far too much and other languages are being ignored, the National Union of Teachers said Monday.

The union, in a reply to a government consultative paper, also criticised what it said was a belief in the superiority of European languages and urged equal time for the languages of Britain's ethnic minorities. It also opposed the paper's suggestion that English speakers, rather than native-speaking foreign assistants, were better teachers of foreign languages.

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